

CRITICAL APPROACH CONCERNING THE AUDIT OF THE ACTIONS FINANCED BY THE EUROPEAN COMMUNITY

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Abstract: The enounced theme is approached from the angle of the unprecedented extension of the audit works for projects co financed by the European Community, with over 32 billion euros until 2013. We considered that it is justified to debate the following essential problems; the theme delimitation to the financial audit; the emphasis of some possible audit risk and the critical examination of the work procedures and of the report, specific to the audit projects financed inclusively from structural funds. According to the International Standards in the field, the auditing of the financial reports due to the projects (actions) financed inclusively by the European Community, it is included in the category named “Connex Services”, while the similar missions of examination of the annual financial situations represent financial auditing pure and simple. At the same time with the emphasis of the work procedures specific to the analysed commitments, determined by the particularities of the actions at which it refers, there are also presented some risks, considered to be significant, that they can generate, which, on their turn, need to be administrated by the auditor, which is realised starting with the stage of planning the mission. At the same time, it was closely approached the essential objective of the auditing in cause, of documented verification of actual expenses through the use of the established procedures through the financing contract due to the audited project.

Referring to the theme of the present work, we consider oportune a succinct introduction, within which we underline, on the one hand, that it concerns a considerable number of entities and of audit professionals, because of the structural funds, in continuous growth, which are allocated to our country by the European Union, with over 32 billion euros until the year 2013, These funds are assured under the form of co financing of 9 categories of operational programmes of sector (of growth of the economical competition, of development of human resources, regional, of environment, of transportation, administrative and others), national for rural development, of territorial cooperation (transfrontalier, transnational and interregional).

On the other hand, we emphasize the fact that the audit activity afferent to the mentioned programme is different from the other missions accomplished by the financial auditors, being included in the category named “Connex Services”, for which is adopted a Distinct International Audit Standard (4400), according to which it presents significant particularities under the aspect of procedures or of the work sheets that it provokes. These, most of them, are specific and, at the same time, preestablished, making exception only those that concern the planning stage (sections: E ”The confirmation of the audit plan” and F “The audit approach”) and the stage of the audit finalization (sections: C ”The verification list for the finalization of work documents” and D “Final observations and the meeting with the client”). Besides, these sections (work sheets) are common to all missions that exercise the financial auditors.

The audit of every contract with European financing represents a specific activity of professional examination which has as object the verification of the financial report made by the entity for the realized project, in the sense that is correct, viable and it has, in its assistance, the adequate support documents, and the eligible expenses were done according to the contract stipulations. In other words, the audit of this nature can be considered that it represents a specific activity of professional activity in view of the expression of a documented assertion by the auditor, clear and rigorous, on the financial report of the realized project, that must confirm its agreement with a legal referential established for such an activity, being retained the fact that it represents an essential mean of information communication to users [Belvend N., 2001]. This definition emphasizes the natural essential distinction between the connex analyzed service and the financial proper audit, which denotes that it imposes a practical specific approach, which ends with the making of a report of de facto findings, therefore not through a financial audit report.

To emphasize more clearly the difference between the two categories of mentioned missions, we consider that it is justified to precise that in the case of the connex services, it is issued a verification report of the made and documented expenses, stipulated in the Financing Contract, and in the situation of the financial audit, it is taken into consideration the objective according to which it is noticed that the evidences obtained by the auditor are thus dimensioned to offer it the possibility of reasonable and sufficient conclusions for the creation of the conviction necessary to the clear expression of the opinion concerning the image offered by the audit financial situations, which is without reserves only when it is sincere in comparison to the legally established referential report. The sense of sincere can be also given by the expression according to which “it sincerely presents, under all significant aspects”.

In other words of ideas, it can be underlined the fact that, in the case of the audit made by the “Audit Authority”, which is similar to the analyzed connex services, there are established proper work procedures, referring to which we think that, through the adoption of the expression according to which the verification is made “on the basis of a sample”, they contain a regulation risk, which, after the closure of the audit mission, it can generate unfavourable financial consequences for the projects beneficiaries. Because of this, we consider to be also justified a plus of preventive attention for their protection, aspect over which we will come back.

Connected to the mentioned regulation risk, but also in the same measure concerning the risk of adopted procedures and obtained evidences [Staicu C., 2007] which can manifest in the case of the audit of the project with European financing, we have in mind the particular exigence that must be manifested with the occasion of the verification of the expenses with financing from structural funds, inclusively with the occasion of the certification of every afferent financial report. This because it is possible that in the case of some spent sums and afterwards discovered as being negligible at financing, the beneficiary be obliged to give back all money received from the European Union, so not only the part of funds afferent to such values. In this sense, we consider that it doesn't lack interest to remember the fact that all justified original documents, on the basis of which there were accessed European funds, must be kept, as a rule, for 10 years, period during which reverification operations can be made.

In the context of the above mentioned things, we express our opinion that it is also possible an image risk in what concerns the auditor, naturally on international plan, but also probably European, through CAFR, which can be avoided through the

responsibility assuming and increased exigence in the approach of its mission, in the sense of the use of adequate procedures and the obtaining of sure evidences on all justified expenses documents, thus being also realized the protection of projects' beneficiaries. These desiderata are realizable because the number of justified documents is on a reasonable level, and the verification operations can also be made during the development of the activities in every project, under the form of intermediary audit, occasion that allows the remediation of eventual discovered deficiencies.

If in the case of the financial audit it is justified and, at the same time, allowed the fact to obtain evidences on the basis of a poll and of a representative sample, we consider that such modalities must be avoided in the situation of the audit of the projects financed from unrepayable funds because the connex services of this nature suggest a more accentuated risk level. On the other hand, the assertion that is issued for the report of the audit project has financial implications, fact for which it must be correct, viable and based on adequate documents, which respect the contract stipulations such as it was previously emphasized.

Concerning the work procedures that are applied, it is retained as prime aspect the fact that the auditor must accord the needed attention to the rigorous plan of the engaged mission, so that the actual verification of the expenses be realized in a documented way. In view of the realization of this desideratum, he applies the procedures that are established for him by the beneficiary, through the financing contract and to the referential in the field, and uses the obtained information as basis for his report concerning the factual findings, according to the standard in the field (4400). In this sense, it is made the verifications programme according to the objective and the purpose of the assumed engagement and of the procedures to be applied, taking into consideration techniques as: the investigation and the analysis, evaluation/revaluation, the comparison, other precise verifications, observations, inspections of the documents registerings, inspections of the evaluations and the obtaining of the confirmations.

The ulterior application of the procedures allows the auditor to obtain sufficient information for the elaboration of the de facto findings report. In this purpose, the auditor can use the advice included in the Audit International Standard 500 "Audit evidence" and especially those in the paragraphs connected to "sufficient corresponding audit proofs". The auditor formulates for himself a professional opinion on what represents a corresponding audit proof, when he considers that the advice included in ISA 500, the terms and the conditions of the Financing Contract for the respective engagement are not sufficient.

The general conditions of the Financing Contract („General Conditions") offer an indicative list of the types and nature of the proofs that the auditor can often find for the expenses verification. This thing can vary according to the nature of expenses and the used practice.

In other order of ideas it is retained that the auditor must obtain a sufficient understanding of the terms and of the conditions of the Financing Contract, through its study and its annexes and other relevant information, and through investigations at the beneficiary. The auditor obtains a copy of the original Financing Contract (signed by the beneficiary and the contractual Authority), with its annexes, as the copies of the Descriptive report, intermediary/final.

In what concerns the verification procedures of the eligibility of the expenses made by the beneficiary, it can be thus proceeded:

a) it is verified if the Financial Report is in accordance with the conditions of the Financing Contract;

b) it is examined if the beneficiary conformed to the rules of bookkeeping nature inscribed in the Financing Contract;

c) it is verified if the information in the Financial Report are according with the bookkeeping and registering system of the beneficiary (for example, the verification balance, the journal register, other registers, etc.);

d) it is verified if the exchange rates were correctly applied for the money exchanges, if it is the case, and if they were applied according to the conditions in the Financing Contract.

e) In the following stage, it is imposed that the auditor make an analytic verification of the expenses lines from the Financial Report, which supposes the following verifications:

- if the budget from the Financial Report corresponds to the Budget of the Financing contract (the authenticity and the authorization of the initial Budget) and if the made expenses were stipulated in the budget of the Financing Contract;

- if the entire sum demanded at payment by the beneficiary doesn't surpasses the maximum of financing specified in the Financing Contract;

- if the amendments at the Budget of the Financing Contract are according to the conditions for such amendments (inclusively – if it is the case – the demands for the additional documents at the Financing Contract), such they are described in the General Conditions of the Contract;

- if the profit conditions established through the Contract are respected.

The expenses demanded by the beneficiary through the Financial Report are presented under the form of chapters of expenses, as follows: 1 Human Resources, 2 Transportation, 3 Equipments and goods, 4 Local Headquarters, 5 Other costs, services, 8 Administrative Costs, 10 Unpredictable expenses. The expenses chapters can be divided into expenses subchapters, as they might be, for example, 1.1 Salaries.

On their turn, the expenses subchapters can be, as a principle, divided in individual articles of expenses or classes of expenses with the same characteristics, or similar characteristics. The form and the nature of the assistance proofs (for example, a payment, a contract, an invoice, etc.) and the way in which the expenses are registered (for example, enterings in a register) vary accordingly to the expenses' type and nature and to the actions and the transactions that follow them. In any case, in all situations, the articles of expenses reflect the bookkeeping value (or financial) of the actions or the transactions that follow them, indifferently to the nature or the type of the action or the transaction under discussion.

The value of the expense should be the primary factor used by the auditor in the selection of the expenses articles for verification and thus they select the expenses articles of high values to assure an adequate coverage of the expenses.

At the same time it is retained that the auditor exercises the professional reasoning to select specific articles of expenses or classes of expenses articles. He can use factors as its consciousness over the project and the characteristics of the categories of expenses, classes and articles being verified, such as, for example, articles of atypical expenses that present and inherent risk or are predisposed to error.

In the context of the previously mentioned things, the auditor verifies the eligibility of the direct costs, in the terms and the conditions of the Financing Contract wanting to discover if:

- they are necessary for the project implementation. In other words, it is verified if the expenses for a transaction or an action were created for the defined purpose of the action and if they are necessary for the activities and the objectives of the project. More, the auditor verifies if the direct costs are stipulated in the Budget of the Financing Contract and are in accordance with the principles of the rigorous financial management;
- they were done by the beneficiary or his partners during the period of the Project's implementation, as it is established through the Contract;
- they are registered in the beneficiary's accounts and are identifiable, verifiable and at the same time sustained by the corresponding original justified acts and documents.

The auditor also verifies if the expenses for a transaction or action were accurately registered in the bookkeeping system of the beneficiary and in the Financial Report and if the expenses are sustained through adequate proofs and through documents. These include the correct estimation and the correct use of the money exchange rates, inclusively the correct framing in chapters and subchapters of expenses and the respect of the acquisitions rules.

A particularly important problem in what concerns the analysed audit refers to the fact that, according to the regulations in the field, there are situations when it is not possible the complete verification of the expenses included in a specific chapter or subchapter. In this kind of situations, for which we decide to be avoided, it is limited the verification of certain expenses articles, but in the conditions of a minimum coverage rate established through the referent in the field, which impose the auditor to apply statistic sounding techniques for one or more chapters or subchapters of expenses in the Financial Report, being examined if the "populations" (that is the subchapters of expenses or the classes of expenses articles within a chapter of expenses) are adequate and sufficiently large (that is they are composed from a sufficiently big number of articles) for an effective statistic sounding. This thing allows the auditor to obtain and to evaluate the verification proofs for the formulation of a conclusion over the entire population from the respective article. The auditor may refer at the International Audit Standard IAFC 530 "The Sounding for Audit and other selective testing procedures.

The work procedures appealed by the auditor allow him the verification of the sincerity and the eligibility of the expenses mentioned in the Financial Report made by the beneficiary, and his factice discoveries, well documented, are inscribed in a personal Report, destined exclusively to his confidential use and to the contracting Authority. The auditor's report has a connection only to the examined Financial Report and it doesn't extend to other financial declarations of the beneficiary.

In conclusion, we appreciate that the present work brings a modest contribution in what concerns both the increase of the quality of the audit afferent to the projects co-financed from structural funds, inclusively of the report that it is made by the auditor, and referring to the administration in better conditions of the possible audit risks, thus contributing to the enrichment of the information sources in the investigated field of activity.

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