THE ROLE OF INTERNAL CONTROL AND FINANCIAL AUDIT IN IMPLEMENTING EUROPEAN FINANCED PROJECTS FROM EUROPEAN SOCIAL FUND CATEGORY

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Abstract

In the beginning we have discussed the role of internal control in implementing European financed projects by the European Social Fund, type POSDRU and PODCA. The paper continues by emphasizing the main requirements presented in ISRS 4400 entitled "Missions based on agreed-upon procedures regarding financial data" for the auditing of ESF financed programs.

Later on, we have focused on some defining criteria incorporated in CAFR guides and resolutions for POSDRU type European projects according to the European Directives standards. Furthermore we have analyzed some requirements mentioned in the Beneficiary Manual elaborated by AMPOSDRU and AMPODCA in relation to the audit for POSDRU and PODCA type projects. In the end, we have presented the conclusions and suggestions we have come along as a result of our research.

Keywords: *internal control, types of internal control, internal control system, ISRS 4400 objective, audit procedures, actual facts report elements, finalizing an audit mission, audit beneficiary, independent financial auditor, objective of a mission based on agreed-upon procedures, actual facts report*

JEL Classification: F_{21}, F_{34}, F_{36}

Introduction

The discussions on the role and importance of the internal control and financial audit in implementing of European financed projects from Community funds (POSDRU and PODCA) are very important and current, especially now after almost 4 year and a half of implementing such projects, Romania being able to access very few non-refundable European funds, including the above mentioned ones. In our research we have started from the idea that in the general view of the implementation mechanisms of some Community funded projects, the internal control and financial audit of these projects represents two important and vital activities for validating the expenses and reimbursing them from such funds. The whole effort made to accomplish this paper was based on international, European and national regulations, also on the relevant experience found at various applicants of such projects and also on significant experience gained by the authors in implementing POSDRU and PODCA projects. We have organized the paper by 4 major topics, emphasized also in the abstract of the text, topics that we have considered to be absolutely necessary, and placed in a logical order of the discussed subjects, which we consider that will bring a added value of knowledge to this domain.

Literature review

In accomplishing this research we have investigated, referenced and looked to the most up to date documents and papers regarding the internal control and financial audit in implementing Community funded projects. We have taken into consideration international standards, European Directives and national regulations issued by various organisms related to internal control and financial audit (such as the ones issued by International Accountants Federation – international audit standards – ISA or ISRS, decision taking organisms of the EU – European Directives or the ones issued by the national counterparts, such as Romanian Parliament – laws, Romanian government – regulations, Public Finance Ministry – minister order regarding internal control and eligible expenses, Labour Family and Social Security Ministry and Administration and Internal Affairs Ministry – minister orders regarding eligible expenses, the Management Authorities as organisms responsible for implementing POSDRU and PODCA within the above mentioned ministries – manuals, instructions and decisions, Chamber of Financial Auditors from Romania – chamber decisions, and other professional organisms having affairs in management, internal control and financial audit and control domains. We have approached a series of well known authors from the internal control and financial audit domain, in order to be able to state our own opinions, taking into consideration what has been already regulated and written regarding these domains.

Theoretical approach

In accomplishing this scientific report we wanted to present the key concepts and base components of the main activities and standards which operate in the internal control and financial audit domain. We have in mind: internal control, types of internal control, internal control system, ISRS 4400 objective, audit procedures, actual facts report elements, finalizing an audit mission, audit beneficiary, independent financial auditor, objective of a mission based on agreed-upon procedures, actual facts report.

1. The role of internal control in implementing projects having non-refundable external financial support from European Social Fund

In the process of financial auditing of the entities being required to have such a mission, the financial auditor needs to pay attention to the requirements of internal control (carried on in each entity under the administrator's supervision) and the ISA requirements regarding various deficiencies which might appear during this type of control.

According to OMFP no. 946 from 2005 (Official Monitor of Romania, no. 675/2005) for the approval of internal control code (which includes management and internal control standards of public entities and for the development of managerial control systems), the internal control represents all the policies and procedures issued and implemented for: a) reaching the public entity's goals in an economic, efficient and effective way; b) respecting the external rules, policies and management rules; c) protecting goods and information; d) preventing and tracking down fraud and mistakes; e) assuring the quality of accounting documents and generating in a timely manner trustful information, regarding the financial and managerial segment.

In other words, the internal control represents the sum of all the control activities underwent within the entity, organized in a managerial system and under coordination of the general management being accomplished by vertical management (directors, department managers, office managers) and all the personnel in the organization [Ghiță Marcel, 2009, p. 66].

In a more definite way, the vertical management draws for each group of activities, functions, programs, forms of internal control, meant to limit and to maintain the risk associated within the organization's accepted level. These forms of internal control are the following: a) activity auto-control, by respecting the operational working procedures by each individual employee; b) mutual control, accomplished in between the phases of a procedural chain, performed by each work position on the effectiveness of applying the procedures within the previous work position, to be able to add own set of workings and to prepare for the control to be done at the next work position; c) hierarchical control, performed on each level of responsibility, according to the job descriptions; d) partner control, carried on by commissioning competences in between different levels of responsibility.

Beside these forms of internal control, the management may introduce other forms of internal control, to be included in the operations chain, such as: 1) quality control, in different key points of the operations chain; 2) pre-emptive financial control; 3) managerial accounting financial control, stated by the law; 4) accountancy financial control; 5) administrative control; 6) inspections; 7) other control activities proposed by the management.

As a conclusion, for public institutions (not being limited to them), the internal control is not a department, a structure, a position, it is a process performed by all the employees and coordinated by the vertical management, through operational work procedures and it is under responsibility of the general management, which monitors it through the work group created for this aim within the organization [Ghiță Marcel, 2009, p. 68-69].

In the law no 234 from 7 December 2010 [Official Monitor of Romania, no. 836/13.12.2010] for modifying and adding to Government Regulation no 119 from 1999 regarding internal control and pre-emptive financial control, there are some legislative changes, having the aim to improve the internal control activity, such as:

1. The director of the public entity issues an annual report on the managerial/internal control, which will be presented as an addendum to the financial statement for the ended financial year.
2. Internal control is performed based on instructions for creating, approving and presenting the public entity director's report on the managerial/internal control (these instructions are approved by order of the ministry of public finances).
3. Public Finances Minister presents annually to the Government (until the end of 1st semester of the current year for the previous year) a report on the status of the implementation of the managerial/internal control system within the public institutions where the function of authorizing officer is present.
4. The above mentioned Minister has the responsibility of developing and implementing the policy in the area of management/internal control systems, as well as managerial accounting.
5. The competences of this Minister are performed by the Central harmonization unit for control and financial management systems.

According to OMFP no 3055 from 2009 [Official Monitor of Romania, no. 766/10.11.2009], the internal control of the entity (about businesses) governs the assurance of: conformity with current legislation; applying the decisions taken by the entity's management; good functioning of the entity's internal activity; efficiency of the financial data; effectiveness of the entity's operations; efficient use of resources; pre-emption and control of the risk of not reaching the goals set, etc. As a result, the internal control procedures have the following objectives:

– on one side, supervising the entity's activities and personnel behaviour to respect the legislation, values, norms and entity's internal regulations;

– on the other side, verifying that the accounting, financial and managerial data reported are correctly reflecting the entity's status and activity.

In the context of consolidated financial annual report, the area of financial and accounting internal control refers to the companies within the consolidation.

The financial and accounting internal control of the company, as part of internal control, is applied in order to assure a management accounting and a financial situation of its activities, to point to aimed objectives.

Accounting and financial internal control is a major element of the internal control. It aims all the processes to gather and communicating accountancy and financial data and contributes to the issuing of viable data according to legal exigencies.

Exactly like the internal control as a general term, it is based on a system comprised of elaborating and applying policies and procedures in this domain, including the control and supervising system.

The accountancy and financial internal control assures:

– conformity of reported accountancy and financial data with the regulations applicable to them;

– applying the instructions developed by the management regarding this data;

– assets protection;

– pre-empting and detecting accounting and financial frauds and disorders;

– reliability of data reported and used for internal control purpose, in the extent of this data contributes to the drafting of reported accounting and financial data;

– reliability of reported annual financial statement and other information disseminated to the market.

According to the rules of accountancy, the following should be taken into consideration: a) the existence of a manual of accounting policies; b) the existence of a procedure of applying this manual; c) existence of controls to assure the compliance of the manual; d) the knowledge of the evolution of the fiscal and accounting legislation.

At the end of each fiscal year, the annual financial statements will have the administrator's report, which is drawn according to the exigencies that follow the internal control activity.

Also, the internal audit (where it exists, such as the case of public institutions and large companies, which are obliged by law to have an internal audit department) has the duty to help the entity to perform the internal control. In this way, the process of control is defined in the norms for internal audit [www.cafr.ro] as all the policies, procedures and activities which are part of a general framework for performing control, conceived to assure that the risks are within tolerable limits established by the process of risk management.

Regarding the responsibility of internal audit of helping the internal control, the same norms mentioned above emphasize the fact that the internal audit must help the entity to keep the efficiency of the controls, by evaluating the efficiency and effectiveness, and promoting the continuous improvement of the above mentioned. Based on the results of risks evaluations, the internal audit activity needs to ascertain how adequate and efficient are the controls regarding entity's governance, operations and information systems of the organization. This evaluation needs to take into account the following: a) reliability and integrity of operational and financial information; b) efficiency and effectiveness of the operations; c) assets protection; d) comply with the laws, regulations and contracts.

The external financial audit evaluates the internal control performed within the audited entities.

Regarding the financial audit there is a standard called ISA 265 "Communicating deficiencies in internal control to those charged with governance and management „which refers to the responsibility of external financial auditors in the evaluation for the internal control.

In the mission of financial audit the identification of deficiencies in the internal control is an absolutely necessary process.

The meaning of a deficiency or a combination of deficiencies in the internal control does not depend only of the extent of the actual misrepresentation, but also of the possibility that a misrepresentation to occur and its potential dimension. This being said, there can be significant deficiencies, even though the auditor couldn't find any misrepresentations during the audit mission.

The internal control system of a beneficiary of ESF financed projects POSDRU and PODCA type has, among others, of internal control procedures, which incorporates the following elements: 1) the governance/management has developed and implemented a system of internal working procedures through which the management can verify the work done within the project; 2) the management can prove that it told the employees about the work procedures/ internal controls; 3) there are specific procedures/internal controls regarding the setting up of public auctions in order to select the suppliers; 4) there are specific procedures/internal controls regarding the adequate authorization of contracts with the suppliers; 5) there are specific procedures/internal controls regarding the verification and authorization of execution stages of works/services within the project; 6) there are specific procedures/internal controls regarding the signing and adequate authorization of invoices received from the suppliers; 7) there are specific procedures/internal controls regarding the authorization of payments to suppliers; 8) there are specific procedures/internal control regarding the technical specification of the project.

As far as controls in the financial sector at a beneficiary implementing such projects, the following aspects need to be taken into consideration: 1) whether the beneficiary keeps analytical accountancy evidence for the project, using analytical accounts for reflecting all the operations regarding the implementation of the project; 2) whether the reality of the accountancy data presented by the beneficiary is confirmed (the values recorded in the accounts are according to the annexed justifying documents); 3) whether the justifying documents recorded in the accounts are presented in original; 4) whether all the justifying documents regarding the expenses are recorded in accounts; 5) whether the justifying documents are in original and have the stamp with "Requested reimbursement from ESF POSDRU/PODCA…"; 6) whether the justifying documents are prepared according to the law; 7) whether the reality of the justifying documents is confirmed (the copies sent to Intermediary Organism/Management Authority are according to the original); 8) whether the general eligibility conditions are met for the expenses within the project; 9) whether the expenses are correctly included in the budgeted chapters; 10) whether the expenses within the projects are within the approved budget limit; 11) whether the expenses made are within the percentage limits/ceiling established by the financing contract or future documents that modified the budget; 12) whether the expenses within the project are eligible according to the Order issued by the Minister of Work, Family and Social Security and by Finance Public Minister no 1117/2170 [Official Monitor of Romania, no. 569/23.08.2010] from 17 August 2010 for establishing the rules of eligibility and the list of eligible expenses within the operations financed through the Sectorial Operational Program "Human Resources Development 2007-2013" and according to the Order jointly issued by the Minister of Administration and Internal Affairs and the Public Finance Ministry no 712/634 from 24 April 2009 for established the rules of eligibility and the list of eligible expenses within the operations financed through Sectorial Operational Program "Development of the Administrative Capacity" and Solicitants' guides [www.fseromania.ro] related to the projects proposed; 13) whether there is a declaration of own responsibility regarding the existence/inexistence of income generated by the project.

2. **Main requirements resulted from ISRS 4400 entitled "Missions based on the agreed-upon procedures regarding financial data" for auditing the POSDRU and PODCA type projects**

According to ISRS 4400 entitled "Missions based on the agreed-upon procedures regarding financial data" [International Audit Regulations. Assurance and Ethics, 2008, p. 1033-1042], the objective of a mission based on these procedures is to perform by the auditor the procedures that resemble an audit on which the financial auditor, the entity and any other third person have agreed upon, as well as reporting of the actual facts by the auditor.

The financial auditor should respect the professional accountants' ethical code issued by IFAC in which we can find the following principles of ethics that need to be respected during these missions: a) integrity; b) impartiality; c) professional competence and attention to details; d) confidentiality; e) professional conduct; f) technical standards.

In such missions the auditor needs be assured along with the entity's representatives and other third parties, which will receive copies of the report on actual facts (such as the case of POSDRU or PODCA type projects, by the coordination organisms named AMPOSDRU or AMPODCA), that there is clear understanding on the agreed-upon procedures and the conditions of the mission. The issues which should be taken into consideration in such missions include the following: 1) nature of the mission, including the fact that the procedures will not constitute and audit or a revision and, thus, there will be no assurance expressed; 2) the declared objective of the mission; 3) identification of the financial data on which the agreed-upon procedures will be applied; 4) nature, coordination and the extent of the specific procedures that need to be applied; 5) anticipative form of the actual facts report; 6) the limitation in distributing the actual facts report (whether such limitations exist and are in contradiction with the law, the auditor should not accept the mission).

It is in the best interest of the customer as well as the auditor that the last one to send a mission letter to clearly define the main terms of the appointment.

Within this kind of mission, the auditor has to apply the procedures that were agreed upon and to use evidence gathered as the foundation for the report on actual facts. The procedures applied in executing a mission based on ISRS 4400 may be of the following types: 1) interviewing and analyses; 2) recalculations, comparisons and other verifications of the validity of calculations; 3) observation; 4) inspection; 5) confirmation.

Such a report must mandatory comprise of the following elements: a) title; b) addressee (usually the client which hires the auditor to perform the agreed-upon procedures); c) identifying the financial or nonfinancial data on which the agreed-upon procedures where applied; d) a declaration of the fact that the performed agreed-upon procedures where the ones agreed with the customer; e) a declaration of the fact that the mission was executed in conformity with International Standard of Related Services applicable to the missions based on agreed-upon procedures or to the relevant national standards and practices; f) a declaration of the fact that the auditor is not independent from the entity (when it is relevant); g) identifying the objective for which the agreed-upon procedures where applied; h) a list of performed specific procedures; i) a description of the actual facts observed by the auditor, including sufficient details related to the errors and exceptions found; j) a declaration about the fact that the performed procedures do not constitute an audit, nor revision and thus no assurance is to be expressed; k) a declaration that, if the auditor would have performed additional procedures, an audit or a revision, other issues might have been discovered and would have been reported; l) a declaration of the fact that the report is strictly addressed to those parties which have convened to the procedures that will be performed; m) a declaration (if required) of the fact that the report is referring only to the elements, accounts, positions and financial and nonfinancial data mentioned and that these are not extending to the financial statements of the entity in general; n) the date of the report, address and signature of the auditor.

3. **Defining requirements incorporated in the CAFR and CECCAR guides and decisions for auditing the POSDRU and PODCA type European funded projects through ESF, according to the requirements of the European Directives in this field**

A recent regulation issued by the professional organism in the field regarding the audit mission according to agreed upon procedure is represented by **Government regulation no 274 from 15 December 2011 referring to the changing and supplementing CAFR counsel decision no182/2010 for approval of the procedures related to the quality revision of the financial audit activity and other activities performed by the financial auditor** [Official Monitor of Romania, no. 86/2012].

In addendum no 2 of the above mentioned decision, entitled **List of objectives for quality revision of the missions based on performing the agreed upon procedures related to the financial data (ISRS 4400)**, there are a series of elements necessary to complete such audit missions, such as: 1) general objectives; 2) mission terms; 3) audit planning; 4) finalizing the commitment.

We will emphasize only some aspects from the part referring to audit planning, which we considered defining in such a mission (procedures specific to mission contracting, verification of the data from the reimbursement forms, finalizing the commitment).

Regarding the specific procedures of contracting missions of this type for Community funds financed projects (like the ones financed through ESF) by participating to auctions, it will be checked whether the paper presented for auditing (which is the intermediary or final reimbursement form) is in the first place in conformity of the form. To this effect, the financial auditor will check to see whether the following requirements are met: a) information from the header, including title and symbol of the project, need to be correctly spelled and written, without abbreviations; b) the paper should present all the signs that need to accompany the reporting documents, according to the Visual Identity Manual; c) the referenced period should be correctly stated; d) the person signing the forms (intermediary or final financial report or intermediary or final reimbursement form) should be the legal representative of the beneficiary; e) the sums mentioned in the technical and financial report and in the intermediary and final reimbursement form should be calculated according to the percentages established by the financing contract (the percentage from EU, the percentage from the state budget, percentage of co-financing).

A very urgent issue would be the verification whether the information included in the reimbursement form is reconciling with the accounting system and the recordings of the beneficiary (e.g. balance sheet, recordings in the analytic and synthetic accounts). The analytic balance sheets of the beneficiary and the partners (where necessary) need to have distinct recordings of all the transactions and expenses made within the financing program and to allow an efficient and effective check of the expenses recorded in the expenses evidence and in the reimbursement form.

Following this idea, it will be shown whether the financial auditor has mentioned in the audit report all the differences that were observed as a result of verification of the expenses made, if they: a) are reflected in the accountancy; b) are supported by justifying documents; c) are recorded in the balance sheets by using distinct analytic accounts; d) are from the mentioned period and they reconcile with the eligible expenses stated in the expenses' reimbursement form.

It is very important for the financial auditor to check the conformity of the expenses with the budget and with the analytic revision of the classification of the expenses in each line of financing, having in mind all the amendments on the financing contract budget, and to present the non-eligible expenses, whether they were declared in the financing request form of the project.

Regarding the end of commitment of the audit, at least three aspects will be taken into consideration: 1) whether the auditor has documented the section A "Finalizing the audit" from the Guide referring to quality audit and its components (sections A3 – A14); 2) whether the auditor has documented the revision of the conclusions drawn from the gathered audit evidences, as a base for elaborating the Actual Facts Report (Section A14 "Audit report", adapted); 3) whether the auditor has elaborated the "List of verification related to the completion of the dossier" (sections A5/4 and A5/5).

In the process of auditing of each expenses' reimbursement form, the **professional accountant** should evaluate the internal control performed by the project manager on the entire beneficiary's team and on the ones involved from the partners, in order to appreciate in which extent he can trust this activities and whether the audit control risk is high or low, on which the variety of the documents verified by the auditor is based.

In another paper issued by CAFR [CAFR, Quality audit guide, 2010] there are presented, regardless of the type of audit mission (agreed upon procedures type of missions is included in here), all the sections mandatory and necessary for an audit mission and the elements comprised. Thus: **section A** is comprised of documents that aims two aspects, which are: **I) Signing,** which has in its components: 1) copy of signed financial statements; 2) signed letter of representation; 3) the list for verifying the aspects which need to be taken into consideration in the future; 4) revision by the independent partner/hot revision of the file; and **II) Finalizing of the audit**, that unifies all these elements: 5) finalizing the audit; 6) significant aspects; 7) revision of the letter toward governance; 8) revision of the letter of representation; 9) errors summary; 10) revision of the financial statements and list for verifying the presentations; 11) final analytic revision; 12) events following the end of financial year; 13) activity continuity; 14) audit report; 15) other adequate programs for the specific mission.

Section B aims the audit activity and is comprised of the following documents: 1) planning objectives, conclusions, approval and list for verifications; 2) acceptance of appointment and re-appointment; 3) acquainting with the client and evaluating risk; 4) risk evaluation; 5) materiality; 6) preliminary analytic revision; 7) risk evaluation summary and sampling plan; 8) initial closing balance; 9) planning agreement of the audit; 10) permanent list for information verification; 11) calendar for meeting planning; 12) previous year's accounts.

Section C is referring to the revision of the internal control and is comprised only of accounting systems and internal controls.

The elements of the financial statements are spread within **sections from D to U** and they refer to: intangible assets, tangible assets, investments; stocks and work in progress; debtors; bank accounts and petty cash account; creditors, taxes, debts, contingent liabilities and commitments, statutory aspects, capital and reserves; sales and revenues; purchases and expenses; salaries; profit and loss account; affiliated entities; cash flow status; conformity with the law and regulations; balance sheet.

Based on the type of audit missions according to the agreed-upon procedures, only the sections that are relevant to such mission will be used. For the audit missions of POSDRU type projects we will use only the documents from the sections mentioned in the Decision no 274 from 15 December 2011, which we previously referred to.

4. **Requirements stated in the implementation Manuals issued by AMPOSDRU and AMPODCA for performing the audit to the ESF financed projects**

The mission regarding the agreed-upon procedures represents a type of service by which a financial auditor, authorized by the law, is contracted to perform audit type procedures, on which the auditor has convened together with the entity and any other third party interested, and report on actual facts, without stating an opinion.

Each intermediary/final reimbursement form registered by the beneficiary to AMPOSDRU/responsible IO, will be accompanied by the Actual Facts Report issued by and independent financial auditor authorized by the law.

The independent financial auditor will be selected with respect to the conditions of the current legislative regulations related to public acquisitions. The finance auditor will be selected from the active members of the Financial Auditors Chamber from Romania, having had an adequate professional conduct, and without being sanctioned for disciplinary misbehaviour in the last 3 years [www.fseromania.ro].

Regarding the **responsibilities of the parties related to the commitment**, **"the beneficiary"** is referred to the organization that received the non-refundable financing and has signed the financing contract with the Management Authority/delegated Intermediary Organism.

The beneficiary is responsible for producing the Reimbursement form for the financed action by the financing contract and for assuring the fact that this reimbursement form can be adequately reconciled with the accounting and recording system of the Beneficiary, with the basic recordings and the financial accounts.

"The independent financial auditor", the other party in the contract, is a person or a firm (audit firm) authorized by the current law by the competent authority, which is the Financial Auditors' Chamber from Romania, to perform an audit in conformity with the regulations adopted by this institution.

The auditor is responsible for executing the agreed-upon procedures as they are mentioned in the Technical Standards and for transmitting to the Beneficiary a Report on Actual Facts.

The subject of such a commitment is the Reimbursement Form (intermediary or final), referring to the financing contract for the implementation period of the project covered by the form. The information, both financial and non financial, which are subject to verifications by the auditor, represent all the information which makes the verification of the expenses requested for reimbursement by the Beneficiary in each Form possible, whether they have been done, are legal, exact and eligible.

The reason of such a commitment is that the Beneficiary needs to send to the Management Authority/Delegated Intermediary organism an Actual Facts Report issued by an independent financial auditor in supporting the requested payment for the Beneficiary according to Article 7 of the General and Special Conditions of the financing contract. The one responsible for ordering the payments of expenses from the Management Authority is requesting this report, because he is responsible for reimbursing all the expenses made by the Beneficiary, based on this actual facts report.

The term eligibility means that the provided funding from the non refundable financing have been expensed according to the terms and conditions of the financing contract and the Order for expense eligibility applicable at the time of each expense.

The report on Actual Facts needs to describe the objective and agreed-upon procedures of this commitment in sufficient details, in order to allow the Beneficiary and the Management Authority/Intermediary Organism to understand the nature and the measure of the performed procedures of the auditor. Using the exact form of the report which is annexed to the Technical Standards is mandatory.

The Actual Facts report needs to refer to the following major aspects: 1) objective; 2) aim of the paper; 3) information sources; 4) actual facts; 5) use of the report; 6) details of the report (chapter 1: information on the grant contract and the action; (chapter 2: performed procedures and actual facts) [www.fseromania.ro].

In the final section of our paper we will deal with some difficulties that might occur during the internal control and during the auditing of POSDRU and PODCA type European projects.

From the documenting that we have done so far, we have ascertained that the financial auditor might encounter a series of difficulties while verifying the expenses related to each of the project's reimbursement form, such as: 1) there are no management procedures nor internal control within the projects, or if there exist, they are general and cannot be applied in particular to the specific of the entity or the project that needs to be implemented; 2) the effectiveness of the control of the management team is very often formal and does not cover all the areas of the project that needs to be implemented, taking into account what is requested for control from the intermediary organisms that govern; 3) the graphic of activities is not precisely followed, graphic presented as an annex to the financing contract, in its initial or modified form, agreed by the delegated Intermediary Organisms; 4) there are some deficiencies in some activities where the target group is involved; 5) some errors occur in correctly and timely elaborating of the necessary documents for the public acquisitions stated in the financing request of the project; 6) some documents and financial procedures are elaborated with errors; 7) there are some notifications and addendums to the contract with are not correctly or timely elaborated, which are related to different financial aspects such as: budgets modifications, reimbursement forms graphic modifications, VAT reimbursements requests (for the beneficiaries that are entitled to this right according to OUG no. 64/2009); 8) there are some deficiencies regarding the distinct accountancy of the operations within the projects.

5. Conclusions

Of all the information presented in our paper, we can draw some conclusions which are more important such as: 1) the management team of each project needs to establish its own management procedures and internal control, starting from the requirements of the general orders presented in this paper and following with the particular aspects of the control for implementing this kind of projects (POSDRU and PODCA type); 2) the firms and independent financial auditors have managed to involve in this type of audit putting some value to the good practices and the accumulated experience from the pre-adhesion funds (such as: PHARE, ISPA and SAPARD) and then adapting their activities to the new requirements imposed by the Community funded projects after-adhesion (including the ones have non-refundable external financing through ESF); 3) marketing this type of audit was very difficult for this Community funded projects, by new firms and independent auditors, some of them transmitting inacceptable low price offers for such missions, only to enlarge the portfolio, participating at auctions where the price was the only criteria; 4) not all the firms and independent auditors implied in auditing POSDRU and PODCA type projects have performed high quality missions to be in conformity with ISRS 4400 and the model report indicated by the MA, taking into account also of the internal control evaluation of the audited entities, which generated the fact, that in some projects, the intermediary organisms which performed the control on implementation of these project have discovered deficiencies and considered some expenses as being non eligible, which should have been previously stated by the financial auditors as non eligible and should have disposed not to include them in the Expenses Evidence, annex of the Reimbursement Form; 5) the unequal collaboration in such missions between the financial auditors and the expert accountants, which generated the fact that some irregularities in the activities and expenses were not discovered by neither party, regarding the form, content and correctness; 6) insufficient knowledge of the legislation related to the public acquisitions done from non-refundable external funds and the superficial verification of the awarding documentation, which can determine applying some financial corrections on the expenses reimbursed to the Beneficiaries; 7) presence of some superficial reports on Actual facts without the complete presentation of the required information by the instructions of the Management Authority of POSDRU and PODCA, and based on them there will be some sampling of justifying documents from the total of the ones declared in the reimbursement forms; 8) the certification of the expenses declared by the transnational partners without verifying the existence of some management operational procedures according to the community and national legislation.

For the activity of financial audit within the POSDRU and PODCA type projects according to ISRS 4400 to be performed in the best possible conditions, in our opinion, the following should be enforced: 1) the continuing of systematic and profound training of the independent financial auditors by CAFR using the current training system (centralized or on-line), on the way of performing this type of audit according to ISRS 4400 for ESF funded projects and other Community funded projects; 2) elaborating some specific worksheets (besides those used for statutory audit) for this type of missions by CAFR, according to the exigencies of the standard, the requirements of HG no. 274 from 15 December 2011, the exigencies of the management authorities as well as similar organisms for the other community funds, regarding auditing the expenses made and solicited through reimbursement forms, intermediary or final; 3) the continuing of systematic and profound training of the expert accountants within a visibly improved training system, on the way of performing the missions of recording or verifying the accountancy for non refundable financed projects and for other Community funded projects; 4) permanent collaboration between the financing authorities with the CAFR and CECCAR in the effort to respecting the provisions of the collaboration protocols signed and implementing the best practices in the activity of the financial auditors and expert accountants.

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