

**INTERNAL AUDIT AN FIRST AID SOLUTION WHO CAN LEAD  
TO EFFICIENT USE OF EU FUNDS FOR RURAL ECONOMIC  
DEVELOPMENT IN ROMANIA**

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**Abstract**

In 2007, the real stake for Romania in the relationship with the European Union was not the effective adhesion, which was a certain fact but only a matter of time. The real stake was Romania's capacity in absorbing the substantial funds that the union would provide access to. In other words the real stake at that moment was the adequate capacity of comunity funds absorbtion.

According to the analyse of the Authority for Coordination of Structural Instruments, between 2007-2013, Romania had and still has at its disposal, funds in total amount of 19,2 mld EURO or 81 mld RON that should be absorbed by the end of 2015 (this amount does not include the agricultural funds). Taking into account that at the moment our country absorbed almost 9 mld RON, which means 11,06% from the total amount, in order to attract the entire sum it would be necessary that by the end of 2015, payments of approx. 14 mld should be performed yearly, amount 7 times higher than in 2010.

In conformity with the report prepared by the Council Tax and recently published, at the end of 2010, Romania was the last country, out of 6 analised, regarding the absorbtion rate between 2007-2013 of 8,6%, behind Bulgaria (10,2%), Czech Republic(12,4%), Poland (20,4%),Estonia (26%) and Latvia Republic (29%).

Regarding the European fund dedicated to the rural development, Payments Agency for Rural Development and Fisheries approved 30.500 projects through the National Project of Rural Development 2007-2013, from the official starting date - 3 rd of March 2008, until the 15 th of July 2011, in amount of approx of 4 mio EURO. This amount represents approx 40% from the total sum dedicated to the Romanian agriculture, rate that was achieved in 4 and a half years. In order to spent the rest of 60%, Romania has at its disposal 2 and a half years.

As a first measure in this situation, I consider that the development of rural segment can be influenced by the internal audit department, which can insure and

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advise through its actions a better fund administration and a substantial improvement of the public activities. This department can also help the Agency to fulfill its targets through a methodical and systematic approach, action which would also improve the efficiency and efficacy of the system, of the administration processes and controlling process.

**Key words:** internal audit, economical development, rural area, structural instruments, budget, global economic crisis

## INTRODUCTION

The effects of European accession in supporting economic and social development of member countries, in converging and reducing gaps between Member States represent issues of high interest, both for researchers and practitioners.

Rural development and planning is one of the most complex topics of the contemporary world because the requirements of economic, environmental and socio-cultural conservation of the countryside, against modernization.

However, current global financial and economic crisis requires deep reflection and appropriate behaviors, more than ever, on all levels, including collecting and spending the funds of public entities.

## CONTENT

Collecting and effective spending of public funds ensure the success of the current financial and economic reforms, thus the sustainable development of Romania.

Upon completion of a research-level territorial administrative units, focused on their experience in implementing development programs supported by national public funds and EU pre-accession funds, as well as the impact of the use of internal audit on spending these funds, we performed an assessment of the effectiveness of internal audit in terms of attracting and using these funds.

The research was conducted using the survey method applied among representatives of the territorial-administrative units. The sampling frame included the territorial-administrative units in rural areas in Vrancea, Dambovita, Bihor, Alba Suceava, according to the SIRUTA codes (Romanian Information System of the Territorial Administration Units).

The topics analyzed by the aforementioned questionnaire included:

- The participation of the territorial-administrative units in rural area in governmental development programs and the development programs implemented at their level,
- Perceptions of the barriers in accessing finances by development programs through governmental funds,
- Problems encountered in implementing the designed development programs,
- Perceptions about the performance of public institutions involved in implementation of SAPARD

- The internal audit role in improving public entity's operations and in supporting its objectives through increased management efficiency

Through this research we performed an independent monitoring of how European Union programs for local development in Romania are implemented, and how the actors of the communitarian/local development processes are trained and informed about these developments. Along with the help of research, we have highlighted the impact that of internal audit in helping rural economic development.

We refer in this case to internal audit tasks meant to draw up and use the national and EU funds.

Of the total administrative-territorial bodies of the 5 rural counties, 211 bodies were included in the final sample. 172 administrative-territorial bodies, representing a response rate of 81.51% responded positively to our application, therefore this sample is representative.

Collecting data for achieving the objectives of the study was conducted during November 2009 - February 2010, using the interview. The questionnaire was sent by mail, e-mail or fax, where applicable, to the territorial-administrative sampled bodies.

Following the research resulted information on how:

- Public entities have access to information that facilitates understanding the procedure for obtaining funds,
  - Public entities have applied for programs / projects for rural development,
  - Public entities have managed to access the targeted funds,
  - Internal public audit is an optimization tool meant for increasing performance of the activity of public entities,
    - The solutions proposed by the internal audit, concerning the improvement and efficiency of the activity of public institutions, regarding ongoing projects financed by public funds, are taken into consideration,
    - Public entities face difficulties in using EU rural development funds.

Thus, public audit plays a key role in safeguarding financial resources, in promoting the responsibility of the entities involved in making up and using public funds, in managing public funds properly, as well as in consolidating and developing of public and private assets.

Internal public audit should not be regarded as a goal in itself, as it is currently perceived, but as a tool to optimize the performance of activities of public entities, by contributing essentially to identify irregularities and financial imbalances. The recommendations offered by the audit can contribute to strengthening the stability of public entities and fulfilling their objectives in terms of anticipation and appropriate risk management, as well as the efficient use of funds available under the law.

In the light of these general considerations, audit issues on structuring and using the funds of public entities in Romania, is a natural approach, still complex and difficult, as the Romanian specialized literature was not able to identify a complete and rigorous approach of this aspect.

Creating a base of theoretical knowledge on public internal audit and implementing it into the administrative-territorial bodies that use EU funds would significantly

improve the efficiency in using of funds, leading to an increased absorption and also to a growth of the national economy by encouraging and developing investments.

The European and global context requires the increase of economic competitiveness as a must. It is well known that economic competitive advantage no longer consists in running products or services business, in managing of natural resources, geographical or historical peculiarities. Today's competitive advantage consists in *innovation, in highly qualified labor* and extensive use of *knowhow*, namely an informational economy.

## CONCLUSIONS

For Romania, as a member of the European Union, the acceding and use of EU funds represent an important goal to developing its economy and reducing the disparities in standards of living as against other countries.

Accessing and effectiveness use of EU funds leads to huge improvements in productivity and provide both opportunities for development in all areas. There are also created fair chances for all and ensure a viable solution for the enhancement of the national economy.

The use of theoretical knowledge of internal audit, the encouraging of experience exchanges, as well as training for employees in public institutions (e.g. organizing of specialized courses) represent important steps in recovering the "shortfalls" the research has found. Meanwhile, broadening the role of theoretical knowledge will help local authorities to strengthen their capacity and to gain experience in accessing, implementing and managing national and European funds.

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