

Audit of European Funds Destined to the Development of Agricultural Sector

Vârteiu Daniel Petru
"1st of December 1918" University of Alba Iulia
varteiu_daniel@yahoo.com

Abstract

Romania has benefited until now by European funds destined to the development of agricultural sector and rural environment during two periods of time: pre-adherence period 2000-2006 when funds were accessed through SAPARD program and the post- adherence period which is constituted in two programming periods, namely programming period 2007-2013 and programming period 2014-2020 which allows accessing resources from the European Agricultural Guarantee Fund (EAGF) and European Agricultural Fund for Rural Development (EAFRD). The audit of these certain European funds consists in an activity which is complexly developed both in national institutions such as Audit Authority, as well as in European institutions like European Court of Auditors. Through the audit mission the acquiring of a reasonable insurance that the European funds are managed and used in a correct manner, is aimed.

Key words: audit, European funds, Audit Authority, European Court of Auditors

J.E.L. classification: M42

1. Introduction

Audit is defined by American Accounting Association, a professional organism of American accountants as being "a systematic process of objectively obtaining and evaluating certain information concerning actions and events having economic character, for appreciating the degree of conformity of these affirmations with the pre established criteria, as well as communicating the results to the interested users"(O'Reilly&all, 1990, pp.141-142). Another complex definition given to the audit by I. Oprean presents it as being "an assembly of inter connected activities (a process) carried out by auditors or by other experts, who based on their theoretical and practical knowledge and as a result of their commissioning received from certain bodies analyse the information and operations of an entity or referring to a certain activity for offering the insurance through elaborating an opinion or for formulating some recommendation" (Oprean, 2002, p.17). Audit is an activity which has appeared from the desire of providing the users with credible accounting information through elaborate reporting. The types of audit carried out by national and European authorities in the domain of auditing the European funds destined to developing the agricultural sector takes different forms, therefore, the Audit Authority carries out Conformity audit, system audit, operations audit, accounting certifying audit and audit at the end of financing program, while the European Court of Auditors effects financial audit, conformity audit and performance audit.

2. Methodology

Our research aims presenting the theoretical aspects referring to the audit of European funds destined to developing the agricultural sector. The followed essential aspects aims the types of European funds which finance the agricultural sector, the institutions specialized in such funds, the types of audit missions carried out by each of these institutions, ascertainment of audit missions. As methods and research techniques, in our study we used theoretical documentation, comparison and

synthesis. The theoretical documentation involved the study of specialty literature. We used comparison in presenting information referring to the pre adherence period and mostly, namely the post adherence period. Synthesis was used for presenting the theoretical aspects, the domain of funds' audit being a vast field of study.

3. Institutions Specialised in European Funds Audit Destined to Agricultural Sector

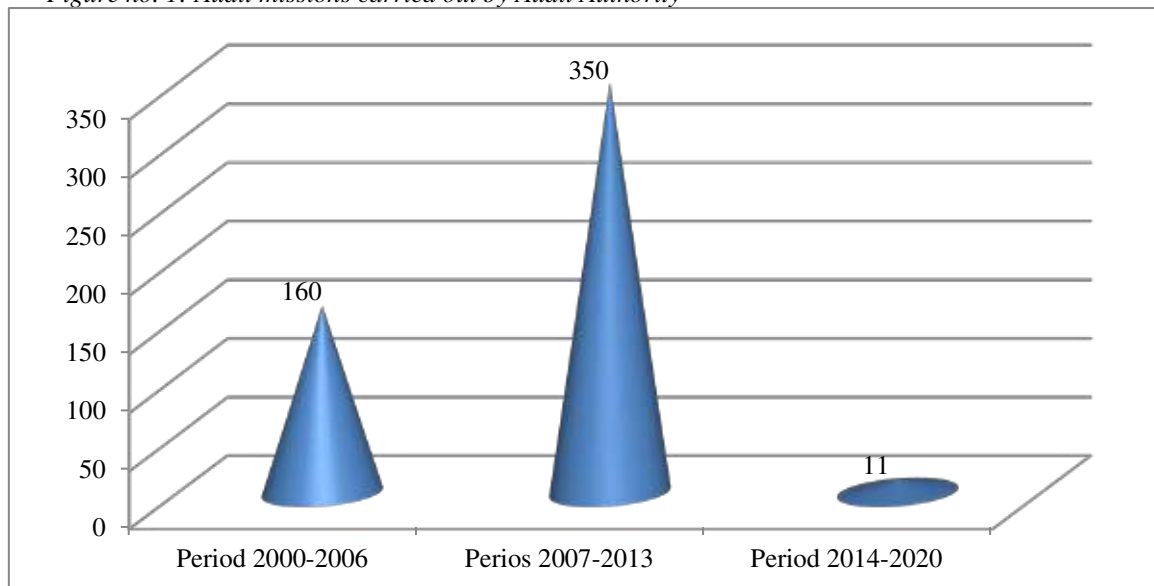
3.1. Audit Authority

Audit Authority took place was set up based on Law no.200/2005 and is an independent organism of auditing the European funds which functions within Romania's Court of Auditors and has the quality of Certifying Organism for European funds destined to agricultural sector. (Court of Auditors, 2017, p.628).

Audit Authority carries out a variety of types of audit, accustomed on each programming period. The first Programming period which was subjected to audit missions was the period between 200-2006 named as Romania's pre adherence period to UE, period in which our country has benefited of PHARE, ISPA and SAPARD funds and within which the Audit Authority had developed system audit missions, audit of checking the expenses declared CE and audit developed with the purpose of emitting the finalization declaration of the financing program. The second programming period which was audited was programming period between 2007-2013, specific to this period being the fact that Romania became a fully rights Member State, benefitting of European funds destined to all national sectors, and on the ways of managing these European funds, the Audit Authority made conformity audit missions, system audit, operations audit, certifying accounts audit and audit at the end of financial program. The third period subjected to audit is the programming period 2014 – 2020; programming period which is in full development, at its half point and within which the Audit Authority carries out missions of designation audit, system audit, operations audit and accounts audit.

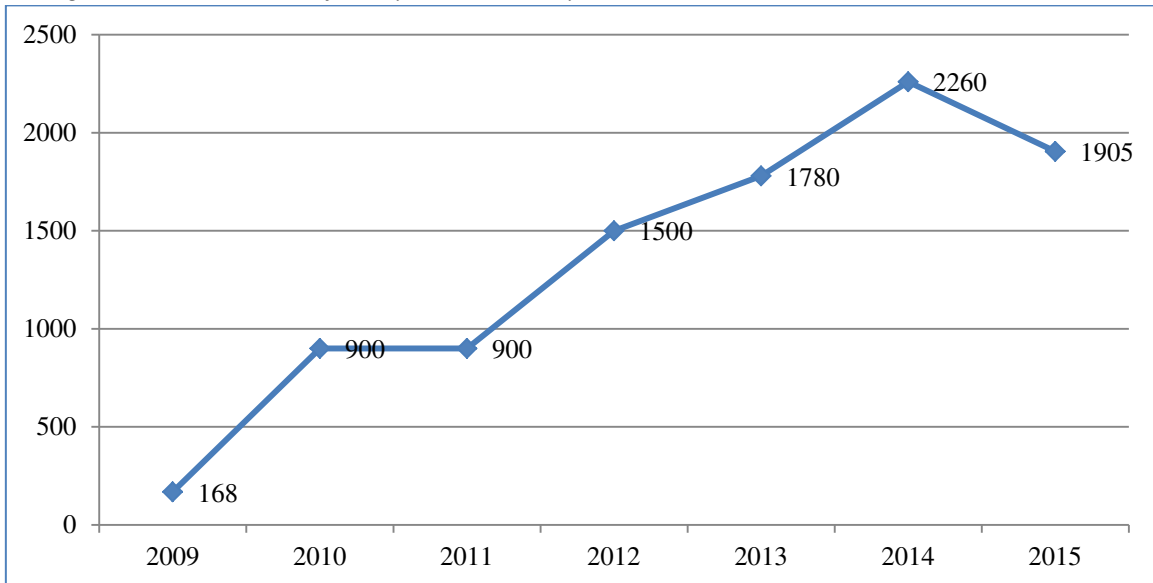
The activity of audit of all European funds carried out by Audit Authority was a significant one, according to Figure 1 and 2.

Figure no. 1: Audit missions carried out by Audit Authority



Source: Court of Auditors (2017, p. 661)

Figure no. 2: Audited Projects by Audit Authority



Source: Court of Auditors (2017, p. 660)

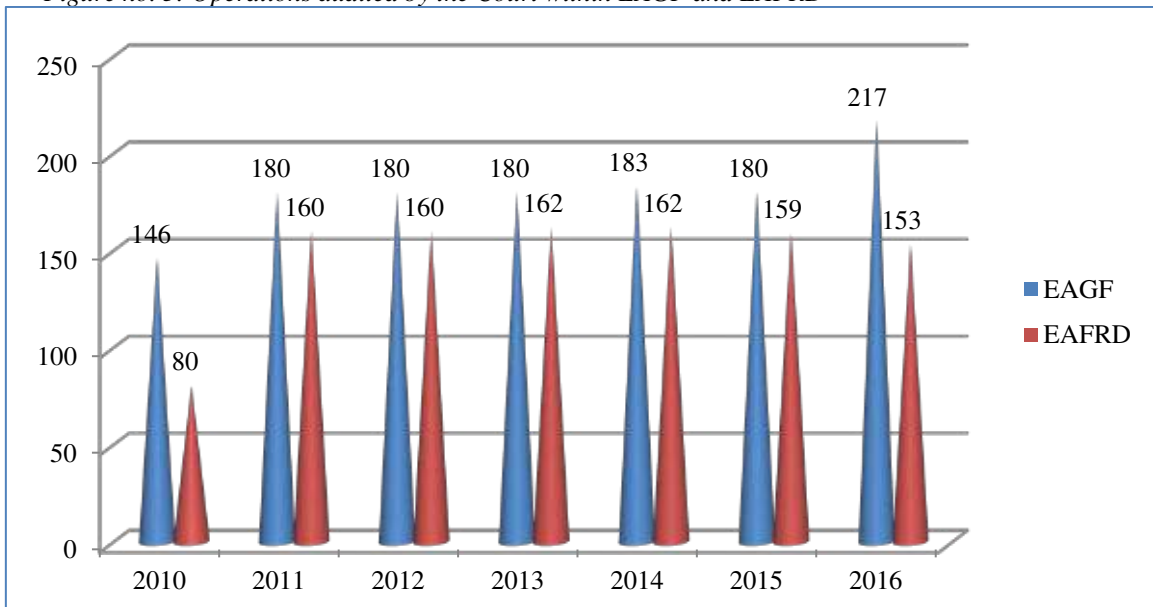
3.2. European Court of Auditors

European Court of Auditors is an institution which carries out its activity based on the Treaty concerning the European Union functioning, which has the quality of external independent auditor and ensures the efficient functioning of European Funds.

European Court of Auditors carries out three types of audit: Financial audit, conformity audit and performance audit.

The European funds' audit activity destined to the agricultural sector carried out by the European Court of auditors will be presented to you within Figure 3.

Figure no. 3: Operations audited by the Court within EAGF and EAFRD



Source: European Court of Auditors

4. Deficiencies Identified as a Result of Carried Out Audit Missions

Audit missions carried out by national and European institutions presumed the identification of next deficiencies. (European Court of Auditors/Court of Auditors, 2017, pp.669-670)

- ✓ Non respecting the accreditation criteria
- ✓ Non registering all debts in Debts Record
- ✓ Achievement of non functional investments by the beneficiaries
- ✓ Making works aoutside the eligibility period
- ✓ Surpassing the value of concluded contracts
- ✓ Ralising inconsistent qualitative works
- ✓ Effecting double payments by beneficiaries
- ✓ Wrongfully introducing data in the payment agents' informatic system
- ✓ Misreporting
- ✓ Miscalcualtion of offered help
- ✓ Penalties miscalculation
- ✓ Justifying documents wrongly drawn

5. Conclusions

Agriculture and European rural environment are financed through the European Fund of Agricultural Guarantee (EFAG) and Agricultural European Fund for Rural Development (AEFRD). The way of efficiently using these funds is ensured through the audit missions carried out by national and European institutions which are specialized in European funds audit. Nationally, the Audit Authority is the institution which audits the European funds destined to agricultural sector, developing conformity audit, system audit, operations audit, accounts certifying audit and audit at the end of financing program, while at the European level there is the European Court of Auditors which makes financial audit, conformity audit and performance audit. As a result of the carried out audit missions a series of deficiencies have been identified both in the activity of payment agencies and in the activity of European funds' beneficiaries.

6. References

- Court of Auditors, 2017. *Romania's White Book of Court of Auditors 2008-2017*. Bucharest
- European Court of Auditors, *Annual Reports Concerning Financial Exercises 2010-2016*, <https://www.eca.europa.eu/ro/Pages/AuditReportsOpinions.aspx?ty=Annual%20Report&tab=tab2>, accessed at 24.04.2018
- Law no. 200/2005 concerning approval of the Government's Emergency Ordinance no.22/2005 for completing law no. 94/1992 concerning the organising and functioning of Chamber of Auditors, published in the Official Monitory no.550/28th of June 2005
- O'Reilly V.M., Hirsch M.B., Defliese P.L., Jaenicke H.R., 1990. *Montgomery's auditing*, The Ninth Edition, New York
- Oprean I., 2002. *Financial Accounting Control and Audit Control*, Deva: Intelcredo Publishing