

STUDY ON PLANNING THE INTERNAL PUBLIC AUDIT MISSIONS AT THE LEVEL OF THE MUNICIPALITIES OF ROMANIA

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ABSTRACT: *Performing the planning activity involves determining the major areas of the audit by selecting the activities in the auditable areas with high risk based on the analysis of the risks associated with these activities. The updating of the public internal audit plan is made by drafting a modification report on the internal public audit plan, approved by the entity's manager.*

KEY WORDS: *audit, mission, plan, report, municipalities.*

JEL CLASSIFICATIONS: *B21, M42.*

1. INTRODUCTION

The scientific approach of this article was based on the analysis of performing the planning activity that involves determining the major areas of the audit and identifying the risk-carrying activities. Planning should be done taking into account the time needed for the audit missions.

In the internal public audit activity, the specific working tools used in the planning process are multi-annual planning, and annual planning and it concludes in:

- a) The multiannual internal audit plan, which is prepared by the public internal audit structure for a period of 3 years, based on the risk analysis related to auditable activities and includes all the activities performed within the public entity and within the internal audit area.

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- b) the annual internal audit plan drawn up by the internal public audit structure, based on the multi-annual plan, and includes the internal audit missions prioritized according to the available audit resources.

The multiannual plan and the annual public internal audit plan are official documents, endorsed by the head of the public internal audit department and approved by the head of the public entity and kept 10 years in the public entity archive together with the justification papers.

The elaboration of the multiannual and annual public internal audit plans is carried out through the following steps:

- a) identification of the processes / activities / structures / programs carried out within the public entity and included in the scope of the public internal audit;
- b) establishing the criteria for risk analysis;
- c) Determining the total risk score for each process / activity / structure /
- d) program and their hierarchy;
- e) Establishment of the scope of assignment / distribution of the internal public audit missions in the plan / preparation of the justification report;
- f) drawing up the drafts of the multiannual and annual public internal audit plans.

Under the current regulatory framework, the Multi-annual Public Internal Audit General planning shall include at least the following:

- a) the auditable field;
- b) the topic of the public internal audit mission;
- c) the year of realization.

Performing the planning activity involves determining the major areas of the audit and identifying the risk-carrying activities. When drawing up the multi-annual plan, it is envisaged to prioritize structures for auditing at least once every three years all activities and auditable areas at the institution level as well as the coverage of subordinate / coordinated entities or entities to which funding from the local budget is more than 50%.

Planning is done taking into account the time needed for the audit missions. The multi-annual audit plan is the audit strategy of the institution and includes audit assignments over the three years.

The annual planning of the audit activity shall be prepared on the basis of the multiannual plan.

The annual internal audit plan shall include at least the following:

- a) the auditable field;
- b) the name of the public internal audit mission;
- c) the overall objectives of the public internal audit engagement;
- d) the type of public internal audit mission;
- e) period of accomplishment of the public internal audit mission;
- f) the period to be audited;
- g) number of auditors.

The annual audit plan includes selected audit engagements based on the following elements:

- a) risk assessment associated with different structures, processes, activities, programs / projects or operations;

- b) the signal criteria and suggestions of the public entity manager, the deficiencies previously identified in the audit reports; deficiencies found in the minutes concluded by the inspections; deficiencies noted in the Court of Accounts' reports; the appreciation of specialists, experts, etc. on the structure and dynamics of internal risks; assessing the impact of changes in the environment in which the audited system evolves; other information and indications of malfunctions or deviations;
- c) missions recommended by the UCAAPI / public internal audit department at the hierarchical level, which is why the heads of the public entities have the task to take all organizational measures so that they are included in the annual public audit plan of the public entity; carried out in good conditions and reported within the set deadline;
- d) the number of public entities under the subordination / coordination / under the authority of another public entity;
- e) periodicity in auditing, at least once every 3 years;
- f) periodicity in the evaluation, at least once every 5 years;
- g) types of audit;
- h) recommendations of the Court of Accounts;
- i) available audit resources.

The draft of the annual public internal audit plan shall be drawn up by 30 November of the year preceding the year for which it is being drawn up. The public entity manager approves the draft of the annual public internal audit plan by December 20 of the previous year.

The internal audit plan is structured on assurance missions, counseling missions and evaluation missions.

The updating of the public internal audit plans shall be made by an amending report, approved by the head of the public entity, according to:

- a) legislative or organizational changes that change the degree of significance of auditing certain processes / activities / actions;
- b) requests from the public entity manager, UCAAPI / hierarchically superior public entity to introduce / replace some missions from the public internal audit plan;
- c) Significant changes in the risk exposure of the public entity or the occurrence of signal criteria.

The multiannual internal audit plan shall be updated if changes occur in the structure of processes / activities / actions carried out by the public entity.

2. PLANNING OF INTERNAL PUBLIC AUDIT MISSIONS AT THE LEVEL OF THE MUNICIPALITIES

According to art. 6 (1) of the Law no. 672/2002 regarding the public internal audit republished, the internal public internal audit plan was developed by the public internal audit department based on the risk assessment related to the different structures, activities, programs / projects or operations, as well as taking over the

suggestions of the public entity manager, taking into account the recommendations of the Court of Accounts.

The selection of the missions is based on the following substantiating elements:

- a) risk assessment associated with different structures, activities, programs / projects or operations;
- b) signal criteria / suggestions of the head of the public entity, namely: deficiencies previously identified in the audit reports; deficiencies found in the minutes concluded by the inspections; deficiencies noted in the Court of Accounts' reports; other information and indications of malfunctions or deviations; the appreciation of specialists, experts, etc. on the structure and dynamics of internal or systemic risks; analysis of some long-term trends on some aspects of system operation; assessing the impact of changes in the environment in which the audited system evolves;
- c) issues analyzed in the annual plan of the UCAAPI - the heads of the public entities are obliged to take all organizational measures so that the themes ordered by UCAAPI are included in the annual public audit plan of the public entity, carried out in good conditions and reported within the set deadline;
- d) number of public entities subordinated to the public entity;
- e) observance of periodicity in auditing, at least once every 3 years.

The annual and multiannual internal audit plans were issued taking into account the results of the risk audit related to the auditable field.

The planning methodology involved the following activities:

- identification of all activities that make up the scope of internal audit;
- carrying out risk analysis;
- ranking activities according to the risk score and issuing the multi-annual internal audit plan;
- identification of the activities to be audited in the first year and comparison of their number with the estimate made in the Auditable Scope Identification Document. Solving Differences;
- approval of the annual and multiannual internal audit plan, together with the related justification document, by the Principal Authorizing Officer.

3. IDENTIFYING ALL ACTIVITIES THAT MAKE UP THE SCOPE OF INTERNAL AUDIT

The identification of the internal audit activities carried out within the unit and included in the scope of the public internal audit and of the related risks was made on the basis of an analysis performed at the level of the internal public audit compartment.

At the time of the analysis, aspects are considered regarding the organization and functioning of the entity as well as the commitments the entity has assumed, including:

- a) the regulatory framework governing the organization and operation of the entity and / or subordinate entities under the coordination or under the authority of the entity;
- b) the Organization and Operation Regulation elaborated and approved at the level of the entity and / or at the level of the subordinated entities, under the coordination or under the authority of the entity;
- c) strategy and policy documents developed and approved at the level of the entity and / or at the level of subordinate entities under the coordination or under the authority of the entity;
- d) documents elaborated at the level of the structure with attributions in the field of monitoring, coordination and methodological guidance of the implementation and / or development of the internal / managerial control system at the level of the entity;
- e) the risk record drawn up at the level of the entity and / or at the level of the subordinated entities, under the coordination or under the authority of the entity;
- f) self-assessment questionnaires of the state of implementation of the internal / managerial control standards;
- g) the synthetic situation of the results of the self-evaluation developed at the level of the entity and / or at the level of the subordinated entities, under the coordination or under the authority of the entity, as the case may be;
- h) reports on the internal / managerial control system as of 31.12.20 elaborated at the level of the entity and / or at the level of the subordinated entities, under the coordination or under the authority of the entity, as the case may be;
- i) control acts elaborated at the level of the entity, by its own structures;
- j) the control acts drawn up by the Court of Accounts;
- k) requests from the UCAAPI and / or the public internal audit department at the hierarchical level;
- l) the control reports concluded following controls or inspections;
- m) documents in which information is reported on the projects and / or programs in which the entity is involved;
- n) activity reports developed and approved at the entity level and / or at the level of subordinate entities, under the coordination or under the authority of the entity, as appropriate;
- o) previous audit reports;
- p) r) previous evaluation reports;
- q) s) situations where the status of implementation of the recommendations has been reported;
- r) t) correspondence with management requests.

In this respect, the Public Internal Audit Department within the City Hall will elaborate - List of IDENTIFICATION OF STRUCTURES, ACTIVITIES CARRIED OUT ON AUDITING STRUCTURES-

4. PERFORMING RISK ANALYSIS

For the risk analysis, the auditors have drawn up a list of the risks associated with the activities of the entities to be audited.

As regards the risk assessment associated with the different activities, the following criteria were used:

- a) complexity of activity. An activity is all the riskier the more complex it is. Complexity refers to the routine degree of activity involved, the number of people or steps involved in the activity, the extent to which the steps or the number of people can be estimated. Regarding the importance of this criterion in total criteria, the auditors considered it to be at the level of 25%.
- b) period elapsed since the last audit. As the period elapsed since the last internal audit mission is higher, the activity is considered to be riskier. Regarding the importance of this criterion in total criteria, the auditors considered it to be at the level of 40%. In this way, the system will automatically check the auditing of all activities within three years.
- c) implementation of SCIM. This criterion is to see if the internal managerial control system is actually implemented and if it works and produces the expected effects. Regarding the importance of this criterion in the overall criteria, the auditors considered it to be at the level of 20%.
- d) Legislative impact. The more analytical activity is subject to more legal regulations, the more risk activity is considered to be because of the increased risk of breaching the legal provisions. Regarding the importance of this criterion in total criteria, the auditors estimate that it is at the level of 15%.

A score scale of 1 to 5 points was used to assess the risks associated with the activities, where 1 means low risk and 5 high risk. Each risk criterion was given these scores from 1 to 5, depending on the risk analysis criteria, as follows:

Table 1. List of the risks associated with the activities

Criterion	1 = minimum risk	2 = low risk	3 = average risk	4 = high risk	5 = critical risk
Complexity of activity	Complexity reduced. Activity is routine and low in volume.	Complexity reduced. Activity is routine but high in volume.	Average complexity. Activity requires several people or steps. It requires skills developed through workplace training.	High complexity. Technical knowledge is required. The activity involves several but predictable steps.	Very high level of complexity. Activity requires technical knowledge. There are several steps in doing business, which are difficult to estimate.
The period since the last audit	The last internal audit mission took place last year.	The last internal audit mission took place two years ago.	The last internal audit mission took place three years ago.	The last internal audit mission took place more than three years ago.	There has never been an internal audit mission.
Implementing	SCIM is	SCIM is formally	SCIM is formally	Managers are	Managers are

SCIM	effectively implemented and works.	implemented. It works partially.	implemented and does not work.	aware of SCIM but do not take effective implementation measures	unaware of SCIM or take any action
Legislative impact	Subject of legal regulations or lack there of. Minimum impact in case of non-compliance.	Subject to some legal requirements / minimal impact in case of non-compliance.	Subject of moderate regulation. Moderate impact in case of non-compliance.	Legally regulated activity. Possible adverse actions, legal or fines, in case of non-compliance.	Activity regulated by national and European legislation. Possible adverse actions, legal or fines, in case of non-compliance.

Following the risk analysis, the risk scores for each activity were obtained. The hierarchy of activities was performed according to the total risk score taking into account the following scale:

Table 2. Hierarchy of activities according to the risk score

Score interval STr			Risk level
1,80	-	2,34	low risk
2,35	-	2,69	average risk
2,70	-	5,00	high risk

As a result of the risk analysis, but also the analysis of other signal criteria, the multi-annual internal audit plan and the annual internal audit plan were elaborated. In the elaboration of the multi-annual internal audit plan, the auditable scope was covered within a period of three years, prioritizing the activities to be audited according to the specificity and associated risks. Since at U.A.T. there are a total of 29 activities carried out, about 10 activities each year should be audited. Since the time spent on an audit mission is at least 6 weeks, we objectively welcome the possibility of carrying out 7 internal audit missions per year.

The annual internal audit plan includes a total of 8 activities to be audited. The reasons for the scope of these missions are presented in the table 3. For the year of the audit, the Public Internal Audit Plan was drawn up on the basis of the multiannual plan and includes audit engagements whose risks range from 2.70 to 5. The number of internal audit missions was established according to the time allocated to each internal audit mission and the amount of time available at the level of the internal public audit compartment. Regarding the choice of structures for auditing according to the periodicity criterion, respectively every three years, the following aspects were considered:

A) The Public Relations and the Local Public Records Service were not included in the audit plans, with individual public internal audit missions, having in view:

- the scope of financial accounting activities as audit objectives within the audit engagement carried out at the Accounting Budget Service;
- organizational activities as auditable objectives within the audit mission of the Human Resources, Payroll Service;
- the Public Service for the Evidence of Persons is periodically checked by hierarchically superior structures both on the civil status line and on the person's record line.

Table 3. Reason for plan introduction

UAT	Activities (Example)	Reason for plan introduction				
		Risk Analysis	Management request	Court of Accounts' recommendation	Request of UCAAPI	Other reasons according to Law no.672 / 2002
	Technical College	3.29	-	-	-	-
	Secondary School	3.30	-	-	-	-
	Kindergarten	3.29	-	-	-	-
	The Tax Service	2.71	-	-	-	-
	Library	3.15	-	-	-	-
	Service Evidence and Management of Patrimoni	2.76	-	-	-	-
	International Relations Service	2.89	-	-	-	-
	Municipal Hospital	3.15	-	-	-	-

B) Local Public Service and Emergency Situations Service were not included in the audit plan for this year although they have not been audited in the past 3 years due to the large number of structures to be audited that pose greater risks as well as due to the small number of auditors who fail to cover all the scope of the audit at the municipality level, with no audit structures being set up in any subordinate / coordinated institution. Taking into account that the Public Local Police Service did not carry out all the activities it has under the law, we propose that these audit missions be carried out next year.

C) For educational establishments, I have prioritized for this year the structures that have not been audited for more than three years.

As the number of auditors increases, it will be possible to observe the 3-year auditing period.

According to the provisions of art. 16 (4) of the Law no. 672/2002, regarding the public internal audit and the specific Norms regarding the exercise of the internal public audit activity, approved at the level of the institution, was requested by the main

authorizing officer through the report prepared, approval of audit plans for their application.

Internal audit plans may undergo changes in missions and deadlines.

Updating the public internal audit plan can be determined by:

- a) legislative or organizational changes that change the significance of auditing certain operations, activities or actions of the system;
- b) recommendations of the hierarchically superior audit structure to introduce / replace / remove some missions from the public internal audit plan;
- c) the provisions of the management of the public entity regarding the performance of internal public audit missions;
- d) other fundamental elements (emerging risks).

The updating of the public internal audit plan is made by drafting a modification report on the internal public audit plan, approved by the entity's manager. The justification statement should include for each update made under the plan the justification for introducing / removing internal audit missions.

5. CONCLUSION

The internal public audit covers all the activities carried out within an entity in order to achieve its objectives, including the assessment of the managerial control system.

Internal audit activity is a planned activity, a process that is performed on the basis of a risk-related analysis of activities and is intended to add value to the audited entity.

Planning is the process by which resource allocation is made, focusing on the needs identified to achieve the objectives.

By means of planning, there is a harmonization between the resources available at the level of a public internal audit compartment and the activities to be carried out in accordance with the established tasks.

The planning of the internal audit activity implies, on the one hand, the knowledge and understanding of the public entity and the environment in which it operates and, on the other hand, a detailed approach to the nature and complexity of the public entity, the scope of internal audit and the required duration for the audit of activities within the scope of the internal audit. Thus, planning in public internal audit is an instrument through which domains / activities are to be audited?, "WHEN to be audited?" And "HOW TO BE AUDITED?".

The main problem faced by internal auditors is how to allocate audit resources, how to choose the topics to be audited, so that the work is carried out in terms of efficiency and effectiveness. This requires a risk assessment to ensure that the objectives with the highest level of risk are audited.

By planning, internal audit is intended to bring added value, which is why the head of the public internal audit department must set measurable and achievable objectives and tools to measure actual outcomes. By achieving the objectives, internal audit represents a management support to improve the efficiency and effectiveness of risk management, control and governance.

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