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SUMMARY
DOCTORAL THESIS

IMPROVING THE ACCOUNTING AND AUDIT PROCESSES OF PROJECTS FINANCED FROM EUROPEAN FUNDS

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Keywords:

accounting and audit processes, projects funded by European funds, financial management of projects funded by European funds, budget planning, VAT management, accounting of projects funded by European funds, internal and external audit of projects, fraud prevention and detection in projects funded by European funds, risk management.

SUMMARY

Chapter 1, titled *"Foundations of European Funding",* begins by presenting the concept of European funds, highlighting their purpose and importance within EU policies. European funds are essential for supporting economic growth, promoting cohesion, and reducing regional disparities. These funds have evolved significantly over time, reflecting changes in the European Union's priorities and needs. The main types of European funds are the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund, the European Agricultural Fund for Rural Development (EAFRD), and the European Maritime and Fisheries Fund (EMFF), each with specific areas of applicability. The chapter also discusses the multiannual financial framework and the process of allocating and managing the funds, emphasizing the general principles and eligibility rules governing access to these resources.

Chapter 2, *"Financial Management of Projects Funded by European Funds"*, discusses in detail the budget planning and financial monitoring of projects. Cost management and fund inflow are crucial for project success, and financial reporting must comply with strict rules and procedures. Monitoring and controlling expenditures are critical to ensuring compliance with funding requirements, and documentation and financial reporting are fundamental for transparency and accountability. The chapter also addresses VAT management and other relevant fiscal aspects for projects funded by European funds.

Chapter 3 explores *"Accounting for Projects Funded by European Funds"*, highlighting the importance of accounting in managing these projects. The regulatory framework and applicable regulations are essential for ensuring financial compliance and transparency. The accounting treatment of grants and reimbursements is discussed in detail, as are specific accounting records and the management of supporting documents. Documentation and proof of expenditures are critical for subsequent verification and auditing of projects.

In Chapter 4, *"Internal and External Audit of Projects"*, the importance of auditing in projects funded by European funds is emphasized. The differences between internal and external audits are clarified, and the role and objectives of internal audit in organizations implementing projects are discussed in detail. The internal audit process, from planning to risk assessment and reporting, is essential for ensuring project compliance and efficiency. External audits, including statutory audits and those conducted by management authorities or EU-designated auditors, are important for validating and certifying expenditures. The chapter also examines compliance requirements and international audit standards applicable to projects funded by European funds.

Chapter 5 focuses on *"Risk Identification and Management"*, highlighting risk mitigation strategies and the role of audit in preventing and detecting fraud in projects funded by European funds. Continuous monitoring and risk management are important for project success, and fraudulent practices and how audit can help detect them are analysed in detail.

In Chapter 6, *"Research Methodology"*, the conceptual framework, purpose, and objectives of the study are presented, along with the research methods and tools used. The research sample is defined, providing a solid basis for subsequent analyses and conclusions.

Chapters 7 and 8 include two detailed case studies. The first study evaluates the auditing and expense verification procedures in externally/non-reimbursable funded projects, offering data analysis and interpretation, discussions, and relevant conclusions. The second study focuses on improving the accounting and audit processes for projects funded by European funds, addressing detailed analyses and providing insights into improving these processes.

The final sections of the paper present conclusions, limitations, and future research directions, as well as recommendations and solutions for improving the accounting and audit processes of projects funded by European funds. Original contributions and the utility of the research are highlighted, emphasizing the relevance and applicability of the results obtained. The bibliography includes an extensive list of academic and specialist sources, reflecting the comprehensive and rigorous research underpinning this work. The appendices provide additional documents and evidence supporting the analyses and conclusions presented in the previous chapters.

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INTRODUCTION

The choice of the topic "Improving Accounting and Audit Processes of Projects Funded by European Funds" is motivated by the continuous need to adapt to legislative changes and the requirements of managing European funds. European funds are essential for economic and social development, making their efficient and transparent use vital. Access to detailed information about the status of funded projects supports informed decision-making and process improvement. Enhancing accounting and audit processes can optimize resources, reduce waste and fraud, and improve financial reporting.

The complexity of European regulations necessitates constant adaptation of knowledge, and the risk of fraud underscores the importance of effective internal control systems and rigorous audit practices. Efficient spending is crucial for maximizing the impact of investments, and monitoring project performance and evaluating impact are essential. Transparency and accuracy in financial reporting are necessary to comply with European and international standards.

Challenges related to institutional capacity and the need for ongoing professional training highlight the dynamic and complex nature of the field, requiring well-prepared and up-to-date personnel. Coordination among different actors involved in managing European funds is vital for project success, necessitating efficient collaboration and transparent information exchange. Adaptability and innovation in accounting and audit processes become imperative as technology and legislation evolve. The use of information technology can improve fund management. Addressing the improvement of accounting and audit processes requires close collaboration among experts from various fields, constant innovation, and a strong commitment to transparency and accountability. By ensuring robust and efficient processes, challenges can be overcome, and the benefits of European funds for involved entities and beneficiary communities can be maximized.

The topic reflects the benefits of efficient and transparent management of European funds, being important for economic development, innovation, and social cohesion. Improving accounting and audit processes ensures the judicious use of funds, contributing to achieving sustainable development goals and maintaining public and European partners' trust.

The *research aimed* to propose a series of recommendations and solutions for improving accounting and audit processes, to optimize financial management and ensure transparency and integrity in the implementation of projects funded by European funds.

The *general objective* of this research was to analyse how the improvement of accounting and audit processes of projects funded by European funds takes place.

This *study aimed* to optimize financial management and ensure transparency in the implementation of European-funded projects, thereby contributing to better use of available resources and preventing fraud or irregularities.

Specific Objectives:

O1. Analyse the main difficulties encountered in the accounting and audit processes of projects funded by European funds.

O2. Evaluate the compliance level of accounting and audit processes with legal requirements and international standards.

O3. Analyse the effectiveness of internal control and management measures implemented to prevent and detect fraud or other irregularities.

O4. Identify the training and professional development needs of personnel involved in managing and auditing European-funded projects.

O5. Analyse the impact of legislative changes and regulations in the field of European funding on accounting and audit processes.

O6. Analyse how these legislative changes and regulations in the field of European funding influence the practices and procedures of organizations involved in managing European funds.

CHAPTER 1. THE FUNDAMENTALS OF EUROPEAN FINANCING

The concept of European funds is the basis for understanding the European Union's efforts to support member states through financial mechanisms aimed at promoting regional development, social inclusion and innovation. European funds are essential for reducing economic and social disparities between the Union's regions, supporting a wide range of sectors from infrastructure and education to health and technology. These funds, strictly regulated by the European Union, ensure the transparent and responsible use of resources to maximize the positive effects of investments (Rodriguez-Pose and Fratesi, 2004; Buică et al., 2022). European structural and investment funds, such as the European Regional Development Fund (ERDF) and the European Social Fund (ESF), are key instruments in supporting structural reforms and improving economic competitiveness. The ERDF supports projects that contribute to strengthening the economic competitiveness of regions, creating jobs and improving the quality of life, being managed at national or regional level. The European Social Fund, on the other hand, promotes employment and social cohesion by supporting education, vocational training and the inclusion of disadvantaged groups (Di Cataldo and Rodríguez-Pose, 2017). The cohesion policy of the European Union, through these funds, aims to stimulate sustainable economic growth, innovation and competitiveness. European funds invest in projects aimed at improving infrastructure, stimulating employment, supporting SMEs, protecting the environment and combating climate change. Funded projects can cover diverse areas, including maritime and fisheries policies, research and innovation, and even humanitarian aid (McCann and Ortega-Argilés, 2018; Bachtler and Mendez, 2007). The European sovereign debt crisis highlighted the complexity of the fiscal and monetary union and underlined the need for structural reforms within the European Union. This crisis, especially between 2009-2012, severely affected several member states, calling into question the economic and political stability of the Union (Gianviti et al., 2010). The initial fragmentation of the EU's response and the insufficient implementation of fiscal convergence criteria were criticized, and the crisis led to stricter financial surveillance measures and the strengthening of economic policy coordination between member states.

The effective implementation of European funds requires collaboration between national and local authorities, as well as the involvement of social and economic partners. The administrative capacity of beneficiary regions significantly influences the effectiveness and impact of funds, indicating that poor management can lead to delays in project implementation and underutilization of resources. The European Union is also exploring the use of innovative financial instruments, such as guarantee funds and investment funds, to mobilize private capital alongside public funds (Bachtler and McMaster, 2008; Piattoni, 2010). The impact of European funds on innovation and technology is considerable, supporting projects that contribute to technological advancement and increased competitiveness. The Horizon 2020 program and its successor, Horizon Europe, finance research and innovation in key sectors, collaborating with universities, research institutes and private enterprises to stimulate innovative solutions and cutting-edge technologies (Crescenzi and Rodríguez-Pose, 2012; Iammarino et al. , 2019). European funds represent a central pillar in the economic and social development strategy of the European Union. Their effectiveness depends on well-defined regulations, effective management and collaboration between different levels of government and sectors. As the European Union faces new economic and social challenges, adaptation and innovation in the management and use of European funds are essential to ensure they contribute to a more integrated and resilient Europe. European funds are essential in promoting economic, social and territorial cohesion within the European Union. Structural and investment financial instruments such as the ERDF and the ESF reduce economic and social disparities and support a variety of sectors, from infrastructure and education to innovation and technology. Economic cohesion policies, periodic reforms and the variable impact of funds underline the importance of adapting strategies to regional specificities.

Innovation and technological development are vital for economic cohesion, and European funds stimulate research and development projects (McCann and Ortega-Argilés, 2018; Bachtler and Mendez, 2007). European funds are essential for fighting poverty and promoting social inclusion through ESF programmes, contributing to the improvement of education and vocational training and supporting disadvantaged groups. The development of social and health infrastructure supported by ERDF and other funds is complementary to national and regional strategies. European funds positively influence social innovation and the development of solutions for complex social problems (Atkinson and Marlier, 2010; Verschraegen et al., 2011).

European funds are essential for promoting territorial cohesion, reducing regional disparities and supporting balanced development. The concept of territorial cohesion promoted by the Treaty of Lisbon aims at the harmonious development of the territory of the European Union, addressing the issues of accessibility, connectivity and sustainable use of resources (Faludi, 2010; Medeiros, 2016). The ERDF and the Cohesion Fund support infrastructure, connectivity and regional innovation, and regional and local development strategies are adapted to the specificities of the regions. Investments in human capital, research and innovation are essential for increasing regional competitiveness. The implementation of territorial cohesion policies is influenced by administrative capacity and the quality of projects. The integration of the urban dimension in territorial cohesion and European initiatives supports sustainable and innovative urban development (Piattoni, 2015; Servillo, 2010). European funds have evolved over time, reflecting the economic, social and political transformations of the European Union. Since the 1950s, European funds have supported regional development, social and economic cohesion and European integration. From the first forms of transnational financial support, such as the ECSC, to the creation of the CAP and the ERDF, European funds have become essential tools for reducing regional disparities and promoting cohesion (Milward, 1999; Ackrill, 2005). The enlargement of the European Union brought new challenges and the need to adapt cohesion policies. The Europe 2020 strategy has reoriented European funds towards the objectives of smart, sustainable and inclusive growth. The Multiannual Financial Framework and the mechanisms for programming and selecting projects ensure the efficient use of resources. The process of allocating and managing funds involves rigorous monitoring and evaluation to maximize the impact of investments (Popa et al., 2012).

The general principles of eligibility for European funds constitute the foundation on which the access and efficient use of the financial resources allocated by the European Union to support the economic, social and territorial development of the member states is based. These principles are essential for ensuring transparency, equity and efficiency in the distribution of European funds, contributing to the achievement of cohesion objectives and promoting the fundamental values of the European Union (European Commission, 2020; Bachtler and Mendez, 2007).

Through the effective implementation of these principles and rules, European funds continue to play an important role in promoting sustainable and equitable development in the European Union, supporting strategic objectives and contributing to harmonious economic and social growth.

CHAPTER 2. FINANCIAL MANAGEMENT OF PROJECTS FINANCED FROM EUROPEAN FUNDS

Budgetary planning for projects funded by European funds requires rigorous attention to ensure success and financial sustainability. The specialized literature emphasizes the importance of aligning budget planning with EU strategic objectives and compliance with financial regulations (Lenart et al., 2021). Advanced financial modeling techniques and the integration of digital technologies, such as budget management software solutions, can significantly improve planning capacity (Wilson, 2020; Davis and Thompson, 2021). The impact of co-financing rules influences the planning strategies, the development of flexible mechanisms being essential (Dachin and Gherman, 2014). Financial risk management is vital, requiring periodic assessments and mitigation tools (Clark and Edwards, 2021; Kumar and Schmidt, 2022). Transparency in planning helps increase public trust (Evans and Kramer, 2021).

Financial monitoring involves rigorous verification and evaluation processes to ensure transparency and efficiency of spending. Effective financial monitoring systems optimize the use of resources and maximize the benefits of investments (Lenart et al., 2021; Brown and Collins, 2020). Emerging technologies such as big data and advanced analytics are improving the monitoring process, facilitating early detection of problems (Nguyen et al., 2023; Clark and Edwards, 2021).

Cost management requires detailed budget planning and rigorous control throughout the project, using financial management tools (Kostalova et al., 2017; Downes et al., 2017). Collaboration between stakeholders is essential to identify and resolve cost issues (Magán-Maganto et al., 2017). Periodic audits and compliance assessments are essential for transparency and credibility (Brenninkmeijer et al., 2018).

Financial reporting ensures transparency and accountability of the use of public resources, being regulated by strict rules (Chen et al., 2010). Advanced IT systems facilitate compliance with reporting requirements and improve the efficiency of project administration (Konomi, 2021; Uña et al., 2023).

VAT management in European projects is complex, it requires adequate fiscal planning and specialist consultancy (Sudacevschi and Ştefan-Duicu, 2023; Nerudova and Dobranschi, 2019). The use of technologies for VAT management and fiscal training of project teams improve compliance and process efficiency (Huizinga, 2002; Nguyen et al., 2020). Internal and external audits verify the correctness of VAT treatment (Ismael, 2022).

CHAPTER 3. ACCOUNTING OF PROJECTS FINANCED FROM EUROPEAN FUNDS

Chapter 3 analyses the accounting of projects financed by European funds, emphasizing the importance of accurate management for transparency and financial compliance (Lenart et al., 2021; Davis and Thompson, 2021). The EU regulatory framework imposes strict standards for the accounting of these funds, including the relevant European regulations and directives (Regulation (EU) No 1303/2013; Official Journal of the European Union, 2012). These regulations determine the recording and reporting of grants and reimbursements, ensuring efficient financial management (Brenninkmeijer et al., 2018; Clark and Edwards, 2021).

The recording of grants and reimbursements must comply with international accounting standards, such as IFRS, to accurately reflect the financial statements (Martin and Lewis, 2019; Nguyen et al., 2020). Grants are recognized as revenue when there is certainty that they will be received and the related conditions will be met (IAS 20; Martin and Lewis, 2019). Auditing plays an essential role in verifying the correctness of accounting treatment, contributing to transparency and fraud prevention (Nguyen et al., 2020). The use of advanced technologies such as accounting and ERP software is essential to improve the accuracy and efficiency of accounting processes (Colombo et al., 2016). These systems facilitate financial monitoring and reporting, reducing the risk of errors and ensuring compliance with EU regulations (Schulz and Feist, 2021). Continuous training of accountants and project managers is vital for adapting to legislative changes and effective management of funds (Orieno et al., 2024). The management of supporting documents is a critical aspect of European project accounting, ensuring compliance and transparency of expenditure (Di Pietra, 2017; Labadie and Legner, 2023). GDPR-compliant electronic document management systems are recommended for secure archiving and efficient access (Dekeling et al., 2014). Rigorous documentation prevents penalties and facilitates post-implementation auditing (Nguyen et al., 2020). The accounting treatment of reimbursements and subsidies must be accurate and according to international and European standards, and regular auditing of these transactions is essential to ensure financial transparency and integrity (Biondi and Soverchia, 2014; Nguyen et al., 2020). Currency risk management is important for projects carried out in non-euro countries, the use of hedging instruments being recommended for financial stabilization (Hussain et al., 2024). Thus, rigorous and compliant accounting is vital for the success and sustainability of projects financed by European funds, ensuring the efficient and responsible use of public resources.

CHAPTER 4. INTERNAL AND EXTERNAL AUDIT OF PROJECTS

The internal and external audit of projects financed by European funds is essential to ensure the transparency and efficiency of the use of financial resources. According to European Union legislation, auditing plays an important role in preventing and detecting fraud, corruption and other irregularities, thus contributing to sound financial management (European Court of Auditors, 2018). The audit process involves the assessment of the compliance of the expenses incurred within a project with the regulations established by the European authorities (Council Regulation (EU) No 1303/2013). The auditors verify whether the funds have been used in a manner that corresponds to the project's objectives and the European Union's regulations, placing particular emphasis on compliance with the principles of eligibility, adequacy and cost efficiency (Bodiako et al., 2016). This includes the analysis of the supporting documentation of the expenditure, the verification of the progress reports and the results obtained in relation to the established indicators. In addition, auditors assess the administrative and operational capacities of the entities implementing the projects to identify potential financial management and control risks (European Commission, 2015).

Internal audit and external audit of projects financed by European funds are distinct processes, each having an essential role in ensuring the compliance and efficiency of the administration of financial resources. The internal audit is carried out by internal auditors employed by the organization managing the project and aims to assess the effectiveness of internal control procedures and identify the risks associated with the project (Kinyua et al., 2015). On the other hand, the external audit is carried out by external auditors, independent of the organization implementing the project. This type of audit is regulated by national and European authorities and has the main purpose of verifying the correctness of financial reports and expenditure declarations submitted by the beneficiary (Mat Zain et al., 2015). The differences between internal and external audit are also manifested in the frequency with which they are performed, internal audit being a continuous process, while external audit is performed annually or at the end of a project cycle (Sarmento, 2016).

Internal audit in organizations that implement projects financed by European funds plays an essential role in ensuring an efficient and transparent management of financial resources. The internal audit function contributes to the optimization of processes, the identification of cost reduction opportunities and the minimization of non-compliance risks (Asaolu et al., 2016). Internal audit verifies the effectiveness of internal procedures and identifies opportunities for operational improvement (Länsiluoto, 2016). It also promotes corporate governance and contributes to risk management (Sadgrove, 2016). Through periodic evaluations, the internal auditors ensure that the internal control procedures are adequate and effective in relation to the risks associated with the administration of European funds.

External audit, including statutory audits and those carried out by European authorities, ensures financial integrity and legal compliance. Statutory audits are mandatory by law and must be performed annually to confirm that the financial reports faithfully reflect the economic reality of the entity (Chirițescu, 2019). On the other hand, the audits carried out by the management authorities or auditors appointed by the European Union specifically target funds and projects financed from the European Union budget. These audits are essential to ensure that European Union funds are used appropriately and in accordance with the regulations and directives established by the European Commission. The importance of these external audits is also manifested through their role in strengthening corporate governance, providing an objective assessment and contributing to the early detection of financial risks (La Rosa et al., 2019).

Compliance requirements and audit standards for organizations implementing projects financed by European funds are essential to ensure a fair and transparent management of financial resources. These requirements include rules on cost eligibility, compliance with procurement rules, project management and performance monitoring, compliance with environmental and social legislation, auditing and reporting, as well as compliance with data protection and privacy rules (Borzaga et al., 2020; Vasarhelyi et al., 2018). Compliance with these requirements ensures the efficient and transparent use of European funds and contributes to the achievement of the strategic objectives of the European Union (Sikora, 2021; Osadchy et al., 2018).

International auditing standards applicable to projects financed by European funds, such as the International Principles of Auditing and Assurance (ISA) developed by the International Federation of Accountants (IFAC), are fundamental for ensuring compliance, transparency and efficiency in the management of financial resources (Swart, 2018). The implementation of these standards in the audit of projects financed by the European Union not only increases the quality and reliability of audits, but also ensures the alignment of audit practices with international best practices (Smith, 2023).

CHAPTER 5. IDENTIFICATION AND MANAGEMENT OF RISKS

The management of audit risks in projects financed by European funds is an essential process that ensures financial integrity and compliance with applicable regulations. It involves the identification, assessment and control of risks associated with the implementation and management of projects, with the aim of minimizing potential financial errors, fraud and other irregularities. Identifying risks requires understanding the environment in which the project operates and the regulatory framework specific to European funds (Nugent, 2017). Auditors must assess the project's compliance with EU rules and regulations by examining the rigor of internal controls, including transaction authorization procedures and reconciliation of accounting records (Alzankanh, 2019). Risk assessment involves determining the degree and importance of each risk, often using risk matrices to rank and prioritize risks (Sardasht, 2018).

The risk matrix facilitates the focus of audit resources on areas of significant risk, thereby improving the effectiveness of risk management. Risk control implementation focuses on developing and applying effective strategies to manage identified risks, such as strengthening internal controls and improving monitoring and reporting procedures (Cunningham, 2017).

Strategies to mitigate risks and improve compliance within projects financed by European funds are essential to ensure the efficiency and success of these initiatives. These include in-depth risk assessment, the implementation of a robust internal control system and the alignment of the organization's processes and policies with the legal requirements and regulations specific to European funds (Onescu, 2018; Wangombe, 2017). The use of technology and information systems facilitates real-time monitoring and improving accuracy and efficiency in resource management (Babaeian Jelodar, 2021). Cooperation and collaboration with external auditors and compliance consultants provides a valuable external perspective and helps identify and address potential compliance issues (Westermann et al., 2015).

Audit's role in preventing and detecting fraud is essential to ensuring financial integrity and transparency. The audit contributes to deterring fraudulent activities, identifying and assessing project-specific fraud risks, and monitoring the compliance of financial and operational procedures (Ojo, 2017; Handoyo, 2021). The use of advanced data analysis technologies improves the effectiveness and accuracy of audits, facilitating the detection of anomalies that could indicate the existence of fraud (Manita et al., 2020). Continuous monitoring and risk management are important for the success and sustainability of projects financed by European funds. Adaptability to legislative changes and the use of technology for real-time monitoring and data analysis are essential for early identification of risks and rapid interventions (Henke et al., 2016; Sparf, 2019). International cooperation and the exchange of best practices between EU member countries contribute to the improvement of risk management. Human skills training and development, along with the implementation of continuous feedback and evaluation systems, are critical to effective risk management (Bowers et al., 2017; Khan et al., 2016).

Auditing plays a fundamental role in the detection and prevention of fraud, helping to assess the compliance and financial integrity of fund management. The methods used include benchmarking, document checks and detailed interviews, supported by advanced data analysis technologies. Risk-based auditing and international collaboration between audit authorities are essential to combat cross-border fraud and ensure transparent and efficient management of funds (Kzykeyeva, 2022; Tamimi, 2021). The use of artificial intelligence and machine learning for data analysis provides auditors with advanced tools for identifying sophisticated fraud schemes (Kohler, 2020).

Therefore, the management of audit risks in projects financed by European funds requires continuous evaluation, the use of advanced technology and international collaboration. Auditing is indispensable in preventing and detecting fraud, ensuring compliance and financial integrity, contributing to the success and sustainability of European projects.

CHAPTER 6. RESEARCH METHODOLOGY

The difficulties encountered in the accounting and auditing processes of EU-funded projects are numerous and complex, including rigorous reporting requirements and strict compliance standards (Handoyo and Bayunitri, 2021). Recipient organizations must comply with both national and European Union accounting rules, which creates a double set of standards complicating the process (Jain, 2015). Compliance with legal requirements and international standards is important, and research shows a positive correlation between professional training of staff and degree of compliance (Turetken et al., 2020).

The purpose of the research is to propose recommendations and solutions for improving accounting and audit processes, optimizing financial management and ensuring the transparency and integrity of projects financed by European funds. The general and specific objectives include the analysis of difficulties encountered, the assessment of compliance with legal requirements and international standards, the analysis of the effectiveness of internal control measures, the identification of staff training needs, and the impact of legislative changes on accounting and audit processes. Research hypotheses cover aspects such as the complexity of reporting requirements, the correlation between professional training and compliance, the effectiveness of internal control measures, the specific training needs of staff, and the impact of legislative changes on organizations' procedures.

The research method used is the online questionnaire survey, collecting data through two distinct questionnaires. The first questionnaire, addressed to financial auditors in Romania, evaluates the procedures for auditing and verifying expenses in projects with external financing. The second questionnaire, addressed to beneficiaries in various sectors, analyzes possible improvements in accounting and auditing processes for efficient and transparent financial management. Both surveys, built in Google Forms and distributed online, include filter questions, multiple choice, open-ended questions, and frequency rating questions, collecting detailed feedback and personal insights. Data analysis is performed in SPSS version 26, and the results provide valuable insights for improving accounting and auditing processes in the context of European funding.

The research group for the first study consists of 196 auditors from Romania, and for the second study, from 280 beneficiaries from Romania.

CHAPTER 7. STUDY 1 ON ASSESSMENT OF AUDIT PROCEDURES AND VERIFICATION OF EXPENDITURE IN PROJECTS WITH EXTERNAL/GRANTY FUNDING

Chapter 7 presents a detailed study of the procedures for auditing and verifying expenditure in projects financed by external non-reimbursable funds, essential for ensuring the correct use of funds. The assessment aims at the compliance of audit procedures with international standards and financier regulations, being important for identifying irregularities and preventing fraud.

After conducting the study, we found that all 196 respondents have audited a project financed by non-reimbursable funds, and the majority (54.1%) are familiar with the rules of European funds. Project auditing experience varies, but most have over 11 years of experience. The audited projects cover various programming periods, with a focus on 2007-2013 and 2014-2020. Most auditors checked expenditure on salaries, purchases of goods and services, and works. Beneficiaries were from both the public and private sectors.

Major challenges in project auditing include access to complete and timely information (31.6%), interpretation of EU rules (28.6%) and limited resources (24.5%). These challenges are well documented in the literature, which emphasizes the importance of prompt access to information, the complexity of EU regulations and the impact of limited resources on audit quality.

The survey reveals that 37.8% of respondents consider training and continuing education essential to improve compliance with EU regulations. This is consistent with the literature, which emphasizes the need for continuous professional development. Modern technologies, especially accounting and financial reporting software, are seen as having the greatest impact in optimizing accounting and auditing processes (56.1%).

Internal control systems are considered effective by 40.8% of respondents, and collaboration between departments and with management authorities is important for 28.6%.

Therefore, the results of the survey underline the importance of continuous training, the use of modern technologies, the implementation of robust internal control systems and effective collaboration for the optimization of audit processes and the management of European funds. These measures are essential to improve compliance and efficiency in the use of external grant funds.

CHAPTER 8. STUDY 2 ON THE IMPROVEMENT OF THE ACCOUNTING AND AUDIT PROCESSES OF PROJECTS FINANCED FROM EUROPEAN FUNDS

Chapter 8 of the study analysed the accounting and audit processes of projects financed by European funds, emphasizing the need to improve these processes to ensure the transparency and efficiency of the use of financial resources. By implementing strict internal control procedures and applying relevant auditing standards, problems can be identified early and necessary corrective measures can be taken. The study analyzed the nature of the organizations involved, noting that most are either private or public, both types having a significant role in the implementation of projects financed by European funds. These organizations reported considerable experience in managing projects of this type, with a large proportion of respondents declaring themselves familiar with the rules and regulations of European funds.

Regarding the expenditure audit, most respondents conducted the audit because it was mandatory according to the applicant's guide. Others carried out the voluntary audit, considering it necessary and useful. It is clear that auditing plays an important role in ensuring compliance and preventing fraud. Accounting processes were rated as effective by most respondents, although areas requiring improvement were identified, such as the collection and documentation of expenses. These processes are critical to the success of projects and to ensuring accurate and complete financial reporting. Collaboration between project partners, including managing authorities, intermediate bodies and outsourced service providers, was rated as good or very good. This confirms the importance of effective collaboration for better fund management and compliance with European regulations. The exchange of best practices between organizations implementing projects financed by European funds is considered essential for improving accounting and auditing processes. The support provided through workshops, training seminars and guidance documents is very valuable to respondents, underscoring the need for ongoing training and access to up-to-date resources. The impact of the projects financed by European funds was evaluated as very effective from the perspective of the use of funds and the generation of added value. This reflects the conclusions of the specialized literature, which underlines the significant positive impact of these projects on regional and economic development. To ensure the financial sustainability of projects after their completion, respondents identified continuous monitoring and evaluation, rigorous budget planning and diversification of funding sources as essential factors. These measures are necessary to maintain the results of the projects in the long term and ensure the continuity of the benefits generated. Audit processes require in-depth knowledge of the regulations by the auditors and effective collaboration between the accounting expert and the financial auditor. These aspects are essential to ensure an efficient and objective audit, contributing to a better management of funds. The quality-cost ratio of auditing services was assessed as adequate by the majority of respondents. Audit services well scaled to the workload contribute to overall project efficiency and financial compliance. The role of the accounting expert in the implementation of projects financed by European funds is considered very important. The accounting expert plays an essential role in ensuring financial compliance and transparency, contributing to the success of projects. The involvement of consulting firms in project implementation is frequent and considered useful by most respondents. This reflects the need for external expertise to effectively manage complex projects and ensure compliance with funding requirements. The implementation of projects from the perspective of accounting and financial difficulties was considered accessible by almost half of the respondents, although a significant part found this process complicated. This suggests a continued need for simplification of procedures and additional support for organizations experiencing difficulties.

Therefore, improving the accounting and auditing processes of projects financed by European funds is important to ensure the transparency and efficiency of the use of resources. By implementing strict internal control procedures, continuous staff training and effective collaboration between all parties involved, compliance objectives and long-term project success can be achieved. The study highlights the importance of these measures and provides a detailed insight into the challenges and solutions identified in practice.

CONCLUSIONS, LIMITATIONS AND FUTURE RESEARCH DIRECTIONS

This thesis emphasizes the importance of European funds in the policies of the European Union, with the aim of supporting the economic and social development of the member states and reducing regional disparities. European funds contribute significantly to the development of infrastructure, education, health and technology, covering a wide range of sectors. Strict EU regulations ensure transparent and responsible use of funds, maximizing the positive effects of investments. Among the main European funds are the European Regional Development Fund (ERDF) and the European Social Fund (ESF). The ERDF supports projects aimed at strengthening the economic competitiveness of regions and promoting harmonious territorial development, while the ESF supports employment and social cohesion by financing educational and vocational training projects. European funds, as an integral part of the EU's cohesion policy, invest in projects aimed at improving infrastructure, stimulating employment, supporting SMEs, protecting the environment and combating climate change. They play a key role in regional and urban development, as well as supporting employment and social inclusion. European funds have evolved significantly over time, from the establishment of the European Coal and Steel Community in the 1950s, to the creation of the ERDF in 1975 and the subsequent expansion of cohesion policy. Today, European funds cover diverse areas, including infrastructure, innovation, education, rural development and environmental protection. The European Structural and Investment Funds (ESIF) are the main cohesion instruments, including the ERDF, the ESF, the Cohesion Fund, the European Agricultural Fund for Rural Development (EAFRD) and the European Fisheries and Maritime Affairs Fund (EMFF). The Multiannual Financial Framework (MFF) ensures the stability and predictability of EU funding by setting annual ceilings on commitment allocations and appropriations for payments over seven years. It ensures the efficient and strategic allocation of funds to meet the needs and objectives of the EU. The process of allocation and management of European funds involves several stages: establishing the CFM, defining the regulations specific to each fund, programming, project selection, monitoring and evaluation. The general principles of eligibility for European funds include additionality, co-financing, partnership, thematic focus, sustainability and environmental protection, equal opportunities and non-discrimination. These principles ensure that funds are used in a way that brings real added value, contributes to national and regional development efforts and promotes social inclusion and diversity.

Limits of research

The sample size of the study may limit the external validity of the findings, reducing the ability to extrapolate the findings to different contexts. The methodology used, based on a cross-sectional design, does not allow establishing causal relationships between variables. Data collection tools such as questionnaires may have limitations in terms of reliability and validity, affecting the quality of the data obtained. The specific context of the study, including geographic, cultural or organizational factors, may limit the applicability of the results to other settings or regions. Limited resources and time constraints can influence the ability to conduct a detailed and comprehensive analysis, affecting the depth of conclusions.

Future research directions

Future research should focus on expanding the sample to include a wider variety of organizations and sectors, which would allow for wider generalizability of the results. It is important to explore the impact of the implementation of different internal control standards on the efficiency and transparency of the use of European funds, in various national and cultural contexts. Investigating the long-term effects of improving accounting and auditing processes on the sustainability of EU-funded projects would also be beneficial.

Future research could examine the role of emerging technologies, such as blockchain and artificial intelligence, in improving internal control and audit processes. Another relevant aspect is the assessment of how the collaboration between the various stakeholders can be optimized to increase the efficiency of project management. In addition, investigating barriers and facilitators to the adoption of best practice models and auditing standards could provide valuable insights for developing more effective policies and strategies.