THE ROLE OF ACCOUNTING PROCEDURES IN WRITING /IMPLEMENTING EUROPEAN PROJECTS

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Abstract

This paper focuses on aspects of accounting procedures in general accounting procedures specific to those projects with European funding within public institutions in particular. Given the great emphasis placed by the legislator on the development and implementation of accounting procedures, we consider that the theme is a nowadays one that can be used by accounting specialists who work as accountants and financial managers in European projects. We will also focuses on the attributes of the persons responsible for implementing the accounting procedures in a project but also on the importance of their proper professional training in the field. In preparing this paper we started from the legislative provisions in the field, and the results of the study aim to present the work procedures required for accounting organization within a project, and to present the accounting notes used for economic and financial operations specific for European Regional Development Fund funded projects which beneficiary is a public institution.

Keywords

accounting; procedures; policies; notes; implementation; projects; ERDF (European Regional Development Fund)

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1. Introduction

This paper approaches the issue of the accounting procedure (fines between 300 and 4000 lei being considered a infringement from the regulations issued by the Ministry of Finance, on the approval of accounting policies and procedures provided by law according to art. 41 from accounting Law no. 82/1991, republished, with subsequent amendments), specifically the importance of the implementation of a project with European funding (in terms of grant projects, the legislator has determined that management authorities should not approve the granting of pre-financing instalments, in other words not to validate reimbursement eligible if the beneficiary does not present the work procedures, including accounting procedures). Internal procedures in financial accounting, generally, have the role to determinate the way it progresses in an operation economic-financially, commercially and any other nature (Peter et al, 2010). According the legislation that stipulates the obligation to develop such procedures are mentioned: Accounting Law no. 82/1991, republished (stipulating the obligatorily of issuance procedures, ensuring an internal numbering scheme of the

bill, as well as other financial and accounting forms that underlay records of all the income that is realized through a procedure). The Order of the Minister of Public Finance no. 2861/2009 for the approval of the Norms concerning organization and effectuation of inventorying the elements of the nature of assets, liabilities and personal capital (inventory proceedings), The Order of the Minister of Public Finance no. 2226/2006 on the use of financial and accounting by the persons referred to in art. 1 of Accounting Law no. 82/1991 (procedures regarding the use of financial accounting forms), Order of the Minister of Economy and Finance 3512/2008 on financial and accounting documents (procedures regarding internal numbering system of financial accounting forms).

In defining the notion of the accounting procedure we have to start from the definition of accounting policy, which according to current legislation is defined as being the principles, methods and procedures, bases, conventions, rules and specifically practices applied by an entity in preparing and presenting annual financial situations. As it can be seen accounting procedures take part of the accounting policies, which refers to the existing working methods and rules applied within an entity being elaborated either by collecting all internal procedures that have been already defined either their development through the organization of interviews with the people responsible for financial and accounting processes of the entity. In conclusion accounting policies are intended to implement the accounting transactions which are performed by the entities, and the accounting procedures present the methodology for realising this real, complete and consistent transposition.

Regarding the accounting procedure for the European projects, this is a component part of the ensemble for working procedures that are required to implement an European funded project, assembly comprising at least: the procedure for authorized payments, the procedure of making payments the procedure of drawing Repayment Request, budgetary debt recovery procedure or the procedure for archiving financial accounting documents and the default functioning of the procedure of the implementation team.

2. Research methodology

Given the fact that in the specialty literature there are few works, specialized studies of Romanian accounting literature related to the domain, we decided to call, for the realization of this research, mainly to legislation and publicly available information regarding the accounting projects in the public area, and the experience of the persons occupying positions of responsibility regarding the accounting of projects financed through structural funds.

Within this part of the work, as noted above, we will focus on accounting procedure, procedure that regulates the way of organization and management of accounting records for a project, implemented by the Ministry of Forests and Climate Change as the Authority of Management, in collaboration with a public institution, as the beneficiary. This procedure, also contains, the monograph of the related accounting registration from specific operations, structured as follows:

- registration in the accounts of the operations pre-financing the project;
- recording in the accounts the eligible costs throughout the project;
- recording in the accounts other expenses than the eligible ones;
- registration in the accounts of the related operations that require reimbursement (validation and payment amounts related to eligible expenditure);
- registration in the accounts of the main transactions performed after completing the project.

3. Results of the research

Results of the research are presenting some aspects related to the duties of the persons responsible for implementing the accounting procedure in a project, and the importance of their proper professional training in the field, presenting the typology of work procedures required for the organization of an accounting project, as well as presenting the accounting notes related to the economic-financially operations specifically for the projects financed by FEDR whose beneficiary is a public institution.

According to the legislation in force (according to Standard No. 17 from the Procedures in O.M.F.P. No. 946/2005, republished, modified and completed, and according to Ordinance no. 119/1999 on internal control/management and preventive financial control, republished, with subsequent modifications and completions) any public institution is required to elaborate and use operational procedures, including procedures for financial and accounting activity.

Accounting of the project should not be limited to the accounting records and economically-financial operations in order to ensure accurate and complete reflection, and can be defined as systems and procedures for the financial and monetary transactions that occur in the economic entity regarding a project, therefore the correct elaboration of an accounting procedure together with other working procedures that are required to implement an European-funded project has a key role in its progress.

Regarding the legislation that must be monitored in order to be elaborated and monitoring of this procedure must be mentionated: Accounting Law no. 82/1991 with subsequent modifications and completions, Order no. 1917/2005 approving the Methodological Norms regarding the organization and management of public institutions, where regarding the accounting notes regarding accounting, that will be made in accordance with the Annex to the Minister of Public Finance no. 2169/2009 according the modification in the Order 1917/2005, modifying the methodological norms regarding the organization and management of public institutions accounting changes and additions.

Accounting operations for such project, is based on accounting commitments according to which the effects of economic transactions and other events are recognized when transactions and events are produced and recorded in a document (not as payments are made) and are recorded in the accounting records, reports and financial statements of the periods to which they relate. In accounting commitments terms we can remind that Hepworth (2003) (author that critically analyzes the trend of adopting accounting commitments in the public sector) the transition to accounting commitments in the public sector can be a request of the providers of financial funds or a fashionable trend.

Regarding national literature, public sector accountant's specialists consider the accrual accounting only a rule imposed by the normalizations also being revealed to a pronounced need for training them. (Tiron, 2008; Dumitru et al., 2009)

In order to implement this procedure, the staff has a particularly important role, the responsibility for the application and implementation process being distributed between: management staff, persons appointed to the preventive financial control, the head of financial operations banking and recording accounting transactions in a project, the project manager and financial manager

3.1 The role of accounting specialists

In this context, we underline the presentation of the attributes of the most important people with responsibilities in the application and implementation of this procedure,

for example the person responsible for the financial and banking transactions and recording accounting transactions relating to the project and financial manager.

The person responsible for banking and financial transactions in accounting registration of the project operations performs the following tasks:

- must comply with the laws in force in the field of accounting in respect to the project;
- to prepare monthly accounting notes and to list account sheets for monthly operations and trial balance;
- to keep accounting of the eligible costs and other expenses separate for those eligible for the project;
- to make payments and keep track of them separately for eligible costs and separately for others than eligible expenses on contracts and funding sources;
- to keep accounts of disbursements from the credit line contracted for payments within the project, recording interest, commissions and rates of refund due and payable by the bank;
- to keep analytically accounting for each type of contract (goods, services), to cooperate with financial manager and manager of acquisitions to ensure the acquisition of goods/provision of all services related to contracts in progress;
- to keep track of recorded and unpaid expenses analytical on eligible expenses / others than eligible funding sources and contracts;
- to record chronologically documents in ledger journal on suppliers;
- to keep track of fixed assets, calculate and record monthly, the depreciation and inventory items in the Inventory Register;
- to keep the evidence of grant reimbursement requests received through the sources (ERDF, local budget, etc.) as well as payments from these grants;
- to ensure conformity of accounting records kept with the original documents, providing the archive of financial-accounting documents related to the project;
- to prepare supporting documents for the expenses included in the request for reimbursement (payment orders, proposals, ordering and payment commitments as appropriate);
- to prepares the payroll of employees in accordance with the law, highlighting taxes and other benefits offered to the employee. Payroll is prepared taking into account the employment contract which is concluded prior to the commencement of employment, time sheets (prepared by the financial manager, project manager and approved by the legal representative of the entity), accounted expenses, the payment of wages for project staff, staff contributions and recipient institution, based on payroll and accounting statement and recording them in the accounting system.

Financial manager performs the following tasks:

- must comply with the laws in force in the field of accounting in respect of the project;
- keeps track of suppliers, analytical on each contractor and source of payment;
- coordinates economic and financial activity for all operations of the project;
- approval of accounting documents, monthly and annual accounts balances related to project activities;
- supervising the flow of costs and respecting the financial compliance of implementation of service contracts and procurement;
- developing financial section reports submitted to the Management Authority (MA) and Intermediate Bodies (OI) (if applicable);
- provides financial planning and control of budget execution, financial analysis, project linking the applicant's accounting system and supervising the flow of payments and documents;

- checks if the operations of the trial balance are right;
- together with the project manager provides accounting data from the accounting evidence and prepares applications for pre-financing and reimbursement requests, checks the supporting documents attached to the latter one;
- ensures that there is correspondence between declared expenditure, accounting records and supporting documents for Reimbursement Claims.
- presenting an objective, fair, accurate and without omission point of view linked with financial-accounting documents, of supporting documents, and financial reports of the project;
- sends quarterly a copy of these balances "according to the original" to OI or AM (if applicable), quarterly, by the 30^{th} of the month (n + 1) from the end of the quarter;
- preparing financial reports and financial accounting documents related to the project (filling the forms annexed to the grant agreement);
- ensures that all project-related documents are stamped to avoid double counting and accounting documents on, other ongoing projects, being mentioned reality, regularity and legality certification;
- participates in the preparation of documents required for audits and evaluations (interim, final and ex-post);
- he/she is responsible for the identification of documents recorded in the accounts, these documents must be backed up by originals in order to support evidence;
- after getting reimbursement, submits the required documents for accounting reconciliation to Management Authorities (quarterly or after each financial transaction, as applicable);
- realization of the first checks on the checklist of accounting note and checklist account sheet for various operations.

Regarding the personal, we encounter in the literature a number of views, especially concerning the staff from public institutions. In this context we mention the opinion of Vasile (2012) who summarized the economic crisis for staff in public institutions in Romania: the proportion of low-wage increased, during the crisis the poverty has affected more the people less qualified, specialists leave system either in favour of the private sector or to emigrate and there is no stimulus for students to develop a career in the public sector. We consider that the problems faced by beneficiaries of EU funding can be avoided if the accounting specialist knows and obeys the contractual legal rules, and those from the implementation manual, paying particular attention to how the accounting of a project is organized, concerns raised by the financing person/institution being problems that can appear in the accounting of a project, due to distraction to the poor training of the accountant specialist.

In order to improve accounting of grant projects, we set out the following proposals/ideas: the managing authorities should do some books on implementing the organization and management of accounting projects and the organization of training sessions for accountants/auditors. An important role in this respect has CECCAR which may include in its schedule training programs and courses in this field. This proposal would not be a solution in the public institution because accountants employed in public institutions are not required to be members CECCAR, and if an auditor is engaged in a public institution, he/she is declared inactive from CECCAR point of view. Only the accounting officer or economical manager of a public institution is required to hold a university degree in economics (Pitulice, 2013).

3.2 Highlighting accounting activity within a project

In order to record financial and economic operations related to projects financed by structural funds we will refer to the provisions of the Order of the Ministry of Public Finance no. 2169/2009 for the amendment of the methodological norms regarding the organization and accounting management of public institutions' with changes and additions.

In the framework of the accounting statements it will be presented accounting notes on economic and financial operations with Management Authorities, the rest of the accounting notes of the project shall be prepared as described above "symbol account. analytical project" (e.g. 401.01.analytic PO - the abbreviation of operational program through which we have the funding of the project for a supplier from the project).

The main accounts record of the project in relation to Management Authorities, for a public institution financed wholly from own revenues or from own revenues and grants are:

1. Recording pre financial value received from the Management Authority:

5151.361050.analytic PO
"Available in lei of external funds"

"Advances received from the Certification
Authorities / Management Authorities / Payments
Agencies - Structural Instruments, Funds for
agriculture and other Funds"

and simultaneously

581 = 5151.361050.analytic PO

"Internal Transfers" "Available in lei of external funds/grants"

560.361050.analytic PO = 581

"Available of public institutions fully financed from own revenues" "Internal Transfers"

2. Supplying project account for payments from the account opened in a commercial bank that keeps track of granted credit lines (application for withdrawal):

560.361050.analytic PO = 4621.analytic PO
"Available of public institutions fully financed from own revenues" "Creditors under 1 year"

3. Highlighting the claim to the European Commission to the payments made under 56 Title "Projects funded by external grants (FEN) for a specific part of eligible expenses Funds (eligible expenses for which has not been made a reimbursement request):

4505.5 = 473.analytic PO

"Amounts that should be received from the European

Commission representing revenues of the general budget - public institutions funded from own / own revenues and grants
Structural Instruments, Funds for agriculture and other Funds"

- 4. Record of reimbursement demand of expenses submitted for validation to MAs (year n):
- a. reimbursement sum of structural funds:

external funds"

4583.1.1 = 775.361050.analytic PO
"Amounts that should be received from the Certification
Authority / Management Authorities - post-accession "Post-accession external funds"

b. amount refunded from the budget:

4583.2.1 = 7721.361050.analytic PO

"Amounts that should be received from the
Certification Authority/ Management Authorities Funds from the budget"

5. Record of reimbursement demand, representing amounts that should be received due to the payments made in the previous years (year n-1):

a. repaid a sum from structural funds:

4583.1.2 = 775.361050.analytic PO

"Amounts that should be received from the Certification Authority / MAs made in previous years - external postaccession funds" "Post-accession external funds"

b. amount refunded from the budget:

4583.2.2 = 7721.361050.analytic PO

"Amounts received from the Certification Authority / MAs made in previous years - budget funds"

"Subsidies from the state budget"

and simultaneously:

- 6. Decrease of amounts received from the Management Authorities with advanced amount received under the pre-financing form:
- 1. current year n
- a. sums of the Structural Funds:

i85 =

"Advance payments received from Certification Authorities / Management Authorities / The Payment Agencies representing pre-financing - Structural Instruments, Funds for agriculture and other Funds"

b. sums from the budget amounts:

4585 =

"Advance payments received from Certification Authorities / Management Authorities / The Payment Agencies representing pre-financing - Structural Instruments, Funds for agriculture and other Funds" "Amounts received from the Certification Authority / Management Authorities -Funds from the budget"

4583.2.1

4583.1.1

"Amounts received from the Certification

Authority/Management Authorities - external

post-accession funds"

- 2. previous year n-1
- a. sums of the Structural Funds:

4585

"Advance payments received from Certification Authorities / Management Authorities / The Payment Agencies representing pre-financing - Structural Instruments, Funds for agriculture and other Funds"

b. sums from the budget amounts:

5

"Advance payments received from Certification Authorities / Management Authorities / The Payment Agencies representing pre-financing - Structural Instruments, Funds for agriculture and other Funds" 4583.1.2

"Amounts that should be received from the Certification Authority / MAs made in previous years - external postaccession funds"

4583.2.2

"Amounts received from the Certification Authorities /MAs made in previous years – funds from the budget"

7. Highlighting settlement claim from the European Commission to the payments made under 56 Title "Projects funded by external grants (FEN) for specific eligible expenses from Funds (eligible expenses for which has not been made a reimbursement request):

473.analytic PO "Amounts being applied to

reimbursement"

4505.5

"Amounts that should be received from the European Commission representing revenues of the general budget public institutions funded from own / own revenues and grants -Structural Instruments, Funds for agriculture and other Funds"

- 8. Collecting amounts reimbursed by the Management Authority, registration based on information contained in the statement:
 - current year n

a. repaid a sum from structural funds:
5151.361050.analytic PO
"Available in lei of external funds"

A

4583.1.1
"Amounts received from the Certification

"Amounts received from the Certification
Authority/Management Authorities - external postaccession funds"

b. amount refunded from the budget: 5151.361050.analytic PO

"Available in lei of external funds"

4583.2.1

"Amounts received from the Certification Authority / Management Authorities - Funds from the budget"

• previous year n-1:

a. repaid a sum from structural funds: 5151.361050.analytic PO "Available in lei of external funds"

4583.1.2

"Amounts that should be received from the Certification Authority / MAs made in previous years - external post-accession funds"

b. amount refunded from the budget: 5151.361050.analytic PO

"Available in lei of external funds"

4583.2.2

"Amounts received from the Certification Authorities /MAs made in previous years – funds from the budget"

and simultaneously

581 = "Internal Transfers"

5151.361050.analytic PO "Available in lei of external funds"

560.361050.analytic PO

"Available for public institutions fully financed from own revenues"

581
"Internal Transfers"

from own revenues

9. Refund loan (drawing applications) (in red):

560.361050.analytic PO =
"Available for public institutions fully financed from own revenues"

4621.analytic PO "Creditors under 1 year"

10. Highlighting the interest for the pre-financing received from the Management Authorities, registration based on information contained in the statement:

5187.analytic PO

4584.1.analytic PO

"Interest receivable" "Amounts recoverable by Certification Authorities / Authorities Management - external post-accession funds"

11. Collecting interest on pre-financing received by the Management Authorities, registration based on information contained in the statement:

560.361050.analytic PO
"Available for public institutions fully financed from own revenues"

5187.analytic PO

"Interest receivable"

12. Registration of fee payment for available management accounts - when they are deemed ineligible by the Management Authorities, registration based on information contained in the statement:

4584.1.analytic PO

560.361050.analytic PO

"Amounts recoverable by Certification Authorities /Management Authorities - external post-accession funds"

"Available for public institutions fully financed from own revenues"

13. Amounts of money representing the difference between accrued and management fees available accounts dedicated exclusively to receive pre-financing in accounts for deposits of Management Authorities, at the latest before submitting final claim for reimbursement:

4584.1.analytic PO = 5151.361050.analytic PO
"Amounts recoverable by Certification Authorities / Management Authorities - external "Available in lei of external funds"

14. Registration of debit notes received from the Management Authorities, following the notification of the European Commission:

a. flow of structural funds:

post-accession funds"

629 = 4584.1

"Other expenses authorized by law" "Amounts recoverable by Certification Authorities - Management Authorities -

external post-accession funds"

b. flow from the state budget:

629 = 4584.2

"Other expenses authorized by law" "Amounts recoverable by Certification Authorities - Management Authorities -

budget funds"

c. flow from pre-financing unjustified within the period specified in the grant agreement:

4585 = 4584.1

"Advance payments received from Certification Authorities / Management Authorities/ The Payment Agencies representing pre-financing - Structural Instruments, Funds for agriculture and other Funds" "Amounts recoverable by Certification Authorities /Management Authorities external post-accession funds"

15. Transferring in the Management Authorities accounts of the amounts representing debts:

a. flow of structural funds:

4584.1 = 5151.361050.analytic PO

"Amounts recoverable by Certification "Available in lei of external funds"

Authorities / Management Authorities - external

post-accession funds"

b. flow from the state budget:

4584.2 = 5151.361050.analytic PO

"Amounts recoverable by Certification "Available in lei of external funds"

Authorities / Management Authorities - budget

funds"

4. Conclusions

Given the above it can be easily noticed the utility of developing and implementing of accounting procedures together with other working procedures specific to financial and accounting activities of a public institution that implements an European funded project (such as payment authorization procedure, the procedure for making payments, the procedure for making claims for reimbursement, budgetary debt recovery procedure or the procedure for filing financial accounting documents). All these procedures help the accountant specialist to comply with legal and contractual dispositions linked to accounting organization within a project and to conduct from a financial point of view, in good condition a grant project.

However the existence of these procedures is beneficial for monitoring and control, of the project both internally (e.g. controls implemented in the accounting-financial department that can be of two types: prevention and detection) and external made by the Management Authorities as appropriate.

The limits of the present research are represented by the existence of few articles, specialized studies from Romanian accounting literature related to this topic, which

made us to turn mainly to legislation and public information available on the accounting projects from the public sector, thus underlining that in all domains getting European funds is a priority.

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