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The Control of the Implementation and Management of European Funds

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Abstract *Effective implementation and management of European funds is of major importance for the new members of the European Union. Controlling these funds aims to increase the performance of their use. European regulations require Member States to take appropriate measures to properly maintain and operate their management and control systems so that they can offer the necessary assurances regarding the correct use of the allocated funds. This article highlights the importance of control exercised within institutions that implement and manage European funds. There have been many irregularities in the implementation of projects funded by European funds. In order to determine the most frequent types of irregularities, a questionnaire was applied to the experts responsible for controlling European funds in intermediary bodies. In this article we will present the results obtained after the centralization of expert responses and the importance of control in the prevention of irregularities and fraud.*

Key words Control, performance, European funds, irregularities, fraud

JEL Codes: M40, M21

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1. Introduction

The scope of control in the implementation and monitoring of European projects is particularly complex and remains extremely challenging, especially as the effectiveness of control can ultimately contribute to the successful implementation of European funded projects, absorption of European funds. Thus, the control fulfills both the function of providing the information necessary for the proper functioning of the other processes carried out within the organization (Loebbecke, 2003), as well as the function that ensures the maintenance, functioning and improvement of the management process (Simionescu *et al.*, 2006), respectively the effective implementation of the projects at the level of the organizations (Ghiță, 2004). The topicality of research is supported by the frequent legislative and policy changes that have emerged in recent years in project implementation and monitoring, given the experience of the 2007-2013 financial years and the shy start of the new 2014-2020 period (European Commission, 2015).

Anti-fraud control and control activities are known and publicized lately, but the practice has shown that not all those involved in the implementation work know their true meaning. The closure of the 2007-2013 programming period and, at the same time, the start of the 2014-2020 period leads to the need to increase the number of specialists of this kind. The complex economic environment faced by managers in the management of entities determines the indispensable nature of an anti-fraud control/control service.

2. Literature review

The etymology of the term "control" comes from Latin from the word "contra rolus" which means checking information by comparing it with another piece of information, checking a copy after the original. The notion of control is present in the literature at the beginning of the 20th century, being introduced by Taylor (1911) and Fayol (1918), which introduced the notion of control function within the company's management. According to the specialty literature, the control fulfills both the function of providing the information necessary for the proper functioning of the other processes carried out within the organization, as well as the function that ensures the maintenance, functioning and improvement of the management process.

Control involves a process of knowing the past, present and predicting the future of an economic entity and its economic and financial performance, ensuring the protection of the company's interests and providing a global vision of it. Control is a means of knowing the organization for both unit management and business partners, public authorities and even the population. The purpose of control is to collect and analyze the information available at the economic entity so as to enable the optimal managerial decision to be taken to achieve the proposed objectives. With the help of the control, the transition from knowledge of the theoretical aspects to their implementation in the directions of the social requirements and the concrete economic and financial problems is made.

The control has the role of verifying that the economic entity operates according to the rules, the internal procedures, is in compliance with the legislation in force and the processes, phenomena, operations and activities are carried out in accordance with established principles. The overall objective of control can be defined as the way in which a reasonable degree of safety is achieved or guaranteed in achieving the goals required by the management of the organization, using a system of elements in a continuous change. Effective control distinguishes the essence of the phenomena, sets out the negative aspects that may occur at a given time, and finds the most appropriate way to prevent and eliminate the causes.

In order to eliminate existing disparities between the regions of the European Union, it allocates to the Member States Structural and Cohesion Funds or Structural Instruments. These financial instruments are ranked second in the EU budget for European policies. It should be noted that, although the term European Union funds is frequently used, most of the projects financed by European funds also benefit from a national public contribution (Radu *et al.*, 2011) from the Member State, which differs according to the programming period, the program and the line funding. These instruments are: (1) The European Regional Development Fund (ERDF), regulated by Regulation No 1080/2006, in line with the objective of sustainable economic development; (2) The European Social Fund (ESF), the financing instrument for development and employment regulated by Regulation Council Regulation 1081/2006; (3) The Cohesion Fund (CF), under which projects relating to the trans-European transport environment and networks are financed. Together, these three funds are known as structural instruments (Munteanu, 2009). These funds are additionally added to 2 specific financing instruments to support agriculture, the European Agricultural Fund for Regional Development (EAFRD) and the European Maritime and Fisheries Fund (EFFM).

Romania benefited and benefited from funding programs of different levels of aid intensities (depending on the type of eligible beneficiaries and type of investment financing), which should be taken into account by all stakeholders (Hapenciuc *et al.*, 2012). Absorption of European funds is one of the major challenges of the Romanian economy in recent times. Maximizing the absorption of these funds must be seen in the particularly important context of the current legislation and the economic effects that European funded projects generate in the national economy. European funds remain the main factor supporting the modernization of the Romanian economy and the realization of the structural reforms.

European regulations require Member States to take appropriate measures to properly implement and operate their management and control systems in such a way that they can provide assurances to the funder as to the correct use of the funds allocated. For Romania, joining the European Union and the allocation of European funds is an opportunity that we must benefit from and using the human, institutional and strategic context we have to maximize the effects of using these funds. The effort is considerable and involves the institutional adaptation, the human and material resources involved, the socio-cultural values to the great challenge of achieving the highest possible absorption of the allocated funds.

Within the controls, there may be various checks at all organizational levels of the institutions managing, implementing and monitoring the use of European funds. These controls may be internal or external, carried out at different times of the projects' implementation, respectively prior to implementation, during and after implementation. Internal auditors (assessors, contract and financial review staff, internal auditors) as well as external (independent financial auditors, national or European public external auditors) are used in the controls.

An important role in the absorption of European funds, as well as in monitoring the implementation and monitoring of the impact they have in the Romanian economy, are the authorities and intermediary bodies established under the national framework for each financial programming period. Their role is to implement the necessary measures for the economic, social and institutional restructuring (Burja and Burja, 2008), an active and permanent project monitoring system, which also includes meetings with the beneficiaries of the major projects, as well as with the companies and institutions interested in their implementation to identify problems and define the most effective solutions. At the center of this system is the control activity exercised by these bodies, thus giving the control a new facet in the process of streamlining the absorption of European funds.

The control exercised by the intermediary bodies on the beneficiaries of projects financed by European funds takes place during the whole project implementation period (from the project proposal to the completion of the project) and consists in evaluating the project proposals formulated by the potential beneficiaries, contracting the declared winning projects and the contractual changes that occurred during the implementation, the permanent monitoring of the project, i.e. the resources, processes and results obtained and the level of planning achieved within the project. The control is also carried out after the completion of the project, in order to verify the exploitation and maintenance of the purchased equipment and the works carried out within the project and to ensure the sustainability of the implemented project.

Innovative control role in monitoring and implementation of projects financed from EU funds is to provide the right framework and the information necessary to assess the impact of technical assistance activities in enhancing the efficiency of the management and control of EU funds. The ultimate goal is to attract and use European funds in order to achieve significant results, especially for activities generating high added value. Control activity appears to be an appropriately used leverage to help attract and absorb Structural and Investment European Funds in order to generate and sustain economic growth and promote social cohesion.

European Structural and Investment Funds should be geared to the real growth of economic competitiveness, i.e. projects generating high economic value. Resources and investment must be geared towards industries that support domestic production, ie development poles that ensure the reduction of development gaps and economic performance compared to the levels recorded by the other member states (mainly supporting the activity of the research clusters as well as those of the of engineering excellence). It is considered that "in the last years, the greatest financial impact of the Romanian companies' development came from European funding" (Droj, 2014). Financial support from the European Structural and Investment Funds should be enterprise-oriented to co-finance support measures geared to supporting R&D activities, environmental investment, pollution reduction etc.

Control is at the same time an important mechanism to protect the financial interests of the European Union and is the tool for preventing, detecting and recovering irregularities and frauds in projects funded by European funds. In this respect, we believe that an adequate control environment can be "extremely useful for complying with the principle of sound financial management" (Dănescu and Dogar, 2012).

Control activity is the one that can and must contribute to the implementation and monitoring of an efficient mechanism able to strengthen the collaboration between the institutions responsible for the prevention, detection and combating of various situations that may generate irregularities or fraud in public administration, procurement. The results and main findings resulting from the controls carried out should be discussed at public meetings where representatives of management authorities and intermediate bodies will present and discuss cases of irregularities so that in the future avoided and reduced the risk of major financial corrections, including suspension of funding.

3. Methodology of research

This article presents some of the conclusions drawn from a broad study on the role of the innovator attributed to the control activity exercised in the monitoring and implementation of the projects with European funding. The methodology of scientific research used in this article combines qualitative research with quantitative research. It started from the theoretical presentation of the current state of knowledge of the field approached and was finalized with a case study based on the analysis and interpretation of the data provided by the experts responsible for monitoring the implementation of projects funded by European funds, thus using an approach from general to specific. This article focuses on identifying the overall control framework, anti-fraud control, internal control and the role of all of them in preventing irregularities and fraud, starting from the identification of irregularities.

The research was based on a sociological survey based on a questionnaire. This investigation aimed to investigate how control work is known and applied by experts who are responsible for monitoring and supervising the implementation of European funded projects. As a concrete way of realization, a survey based on a questionnaire applied to the experts from the intermediary bodies involved in the control activity at the level of the Managing Authority for the Sectoral Operational Program Human Resources Development was carried out. The response rate obtained from the application of the questionnaire was 56.5%, similar to that obtained with postal or telephone questionnaires, where the success rate for the relevance of the surveys is 50-80% (Burja and Burja, 2008). We can say that this research is relevant to the field under consideration and the conclusions of the research are valid for the analysis of the role of the control activity in the implementation and monitoring of projects funded by European funds.

The research presented in this article focuses on the involvement of experts with control responsibilities within the institutions that manage and monitor the implementation of European projects in identifying and reporting irregularities. The research hypotheses presented in this paper are:

- I1. The most frequent irregularities were reported by the experts involved in the control activity of the institutions that manage and monitor the implementation of the European projects
- I2. The most frequent irregularities were not brought to the attention of the experts involved in the control activity of the institutions managing and monitoring the implementation of the European projects.

Thus, these assumptions have been verified by including in the research tool used a question about declaring the source of information that has reported irregularities in the implementation of projects with European funding. Thus, centralizing the answers of the respondents to this question, represented graphically in Figures 1 and 2, resulted in the following aspects: most of the notifications were formulated by the Intermediate Body that had the project monitoring, together with the re-verifications carried out and by individuals (known or unknown), some of whom are related to the project as an employee, member of the target group, contractor or service beneficiary.

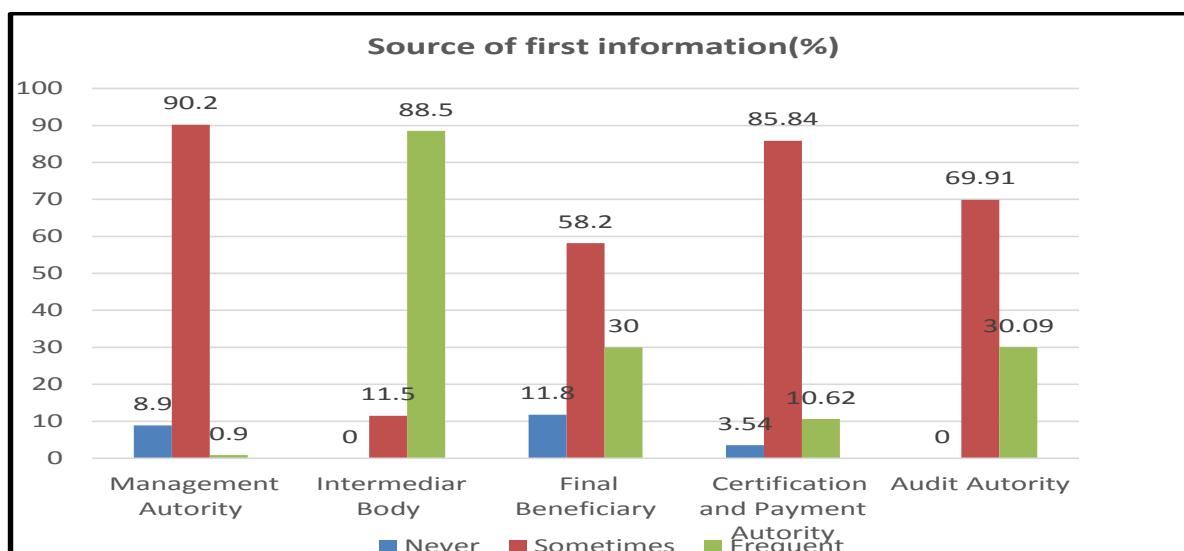


Figure 1. Sources of information reporting irregularities in the implementation of projects with European funding

Source: Own processing following the application of the questionnaires.

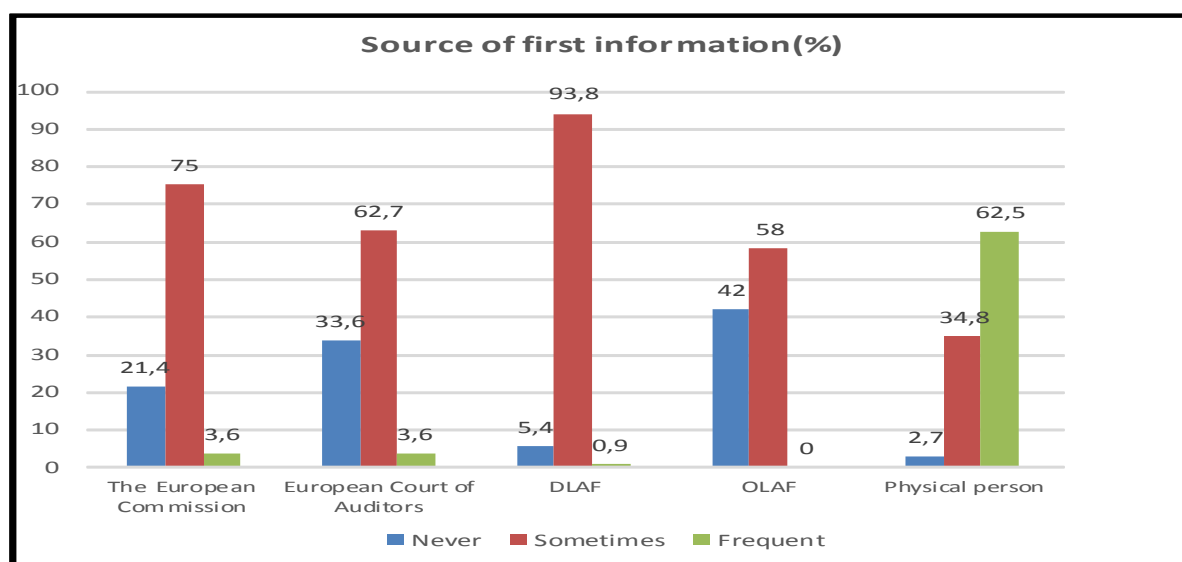


Figure 2. Sources of information reporting irregularities in the implementation of projects with European funding

Source: Own processing following the application of the questionnaires.

It is appreciated that the respondents responded to this question 62.5% that they frequently received this information from individuals/individuals who sometimes wanted to declare their identity and sometimes preferred to remain anonymous, information on the reporting of irregularities in the implementation of projects with European funding.

The I1 hypothesis is thus further validated, analyzing the answers to this question, it is noted that most of the irregularities were identified in the work normally carried out by the respondents. Conclusions resulting from the centralization of their responses reveal that irregularities (over 86% of the answers) were most frequently encountered when checking payment claims and payment requests, and on-the-spot checks and implementation sites of projects.

4. Conclusions

The importance of analyzing the concept of control lies in the fact that it is a source of important information for professional accountants within project teams and entities responsible for monitoring and managing European funds, researchers in the field, professional bodies able to propose solutions to improve the legislation in the field, for the different categories of stakeholders. The control of European funds aims at "ensuring the correctness, legality and regularity of expenditure incurred and declared in the course of operations" (Ministry of Public Finance, 2014) and, where appropriate, applying financial corrections and corrective actions if errors and irregularities are detected in the implementation and management of these funds to ensure the protection of the financial interests of the European Union and the Member States.

The control over the implementation of the projects implies the simultaneous pursuit of the correctness of the spending of these resources and the increase of their absorption. If only one of these objectives is taken into account, e.g. increasing the absorption rate, it is very likely that there will be imbalances leading to the emergence of problems in the implementation of the projects, or, sometimes, not finalizing the projects and blocking the financing.

First of all, it is appreciated that the representatives of the intermediary bodies responsible for control have declared and realized the importance of a trust-based communication relationship between the beneficiaries and the representatives of the intermediary bodies. On the basis of the information and data collected in the framework of the controls carried out, the directions in which the legislation in the field can be updated and better adapted to the real requirements of the framework for the implementation of the projects with European financing are detached. Taking into account the cumulated experience in the control work carried out by the respondents and their direct contact with the representatives of the projects with European funding, it is important to capitalize on this experience in adapting the legislative framework to the needs of both the beneficiaries and the bodies control in monitoring and monitoring the implementation of European projects. The control field in the implementation and monitoring of European projects is particularly complex and remains extremely challenging, especially as the effectiveness of control can ultimately contribute to the successful implementation of European funded projects, absorption of European funds.

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