



EUROPEAN PARLIAMENT  
DIRECTORATE GENERAL FOR RESEARCH  
DIVISION FOR INTERNATIONAL AND CONSTITUTIONAL AFFAIRS

**FACTSHEET**

**ROMANIA**

**Chapter 28 - Financial Control**

**1. The *acquis*<sup>1</sup>**

The number of regulations covered by this chapter is limited with the result that the *acquis* refers rather to general, internationally agreed principles of sound financial management and control. The Commission is called upon to assess the existing financial control systems of the candidate countries with reference to five main aspects:

- **Public Internal Financial Control (PIFC)**, which covers financial control activities in the public sector. The main criteria for assessment are the presence of the legislative framework, the development of the internal audit function and ex-ante control mechanism throughout all income and spending centres as well as ensuring the independence of the internal auditors.
- **External Audit**, which comprises the ability of the candidate countries to confirm the independence of their external control body. The presence of the formal mechanism for parliamentary reaction to audit findings is of particular importance.
- **Control Measures relating to EU Own Resources**, which implies that the bodies in charge of collecting and controlling own resources should be aware of what is needed to carry out their tasks properly. Timely fiscal controls and an effective customs administration are important in this context.
- **EU pre-accession funding and future structural action**: PIFC procedures should apply in the same way to all public funds whether of national or EU origin. The candidate countries are asked to establish the appropriate ex-ante control and functionally independent internal audit mechanisms, to make available experienced and qualified staff and to produce procedure manuals and audit trails for each funding instrument. An important indicator is the existence of the procedure for recovering lost EU funds.
- **Protection of EU financial interests**, which includes the ability to implement the relevant EC regulations by the time of accession and the designation of a single contact point for cooperation with OLAF. Also covered is the development of the necessary administrative and judicial capacity.

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<sup>1</sup> Information largely drawn from the European Commission, DG Enlargement, <http://europa.eu.int/comm/enlargement/negotiations/chapters/index.htm>

## 2. The Negotiations

**Chapter opened:** first half of 2002

**Status:** provisionally closed in the second half of 2003

**Transitional arrangements:** none

## 3. Position of the European Parliament

In its resolution of 5 September 2001 on Romania's application for membership of the European Union and the state of negotiations<sup>1</sup>, Parliament:

- ... calls on Romania to develop an anti-corruption culture in the public service and to set up an anti-fraud unit to cooperate with the European Union bodies;
- Insists on the need to ensure correct monitoring and follow-up of Romanian participation in Community programmes, in order to prevent any misuse of financial assistance;
- Calls on Romania to take the legislative measures required to ensure that internal and external financial control complies with international standards and calls on Romania to develop the administrative and organisational conditions that will allow new concepts of financial control and internal audit to be applied; considers that priority should be given to twinning schemes in this area; would like to know the level of absorption of Community funds.

In its resolution of 13 June 2002 on the state of enlargement negotiations<sup>2</sup>, Parliament

- Notes, however, that in this report, the Commission stresses, in line with Parliament's resolution of 5 September 2001 on Romania's application for membership of the European Union and the state of negotiations, the urgency of significant improvements in Romania's administrative capacity, resolution of the endemic problem of corruption, the urgency of carrying out a strategic reform of the public administration and its depoliticisation, as well as the elaboration and implementation of a comprehensive policy framework for internal financial control of public funds, including those managed under EU pre-accession aid (accounting and auditing systems).

In its resolution of 20 November 2002 on the progress made by each of the candidate countries towards accession<sup>3</sup>, Parliament:

- Invites the European Council to clarify, at its meeting in Copenhagen, that the supplementary financial support to Romania should depend not only on its achievements in terms of implementation of the roadmap, but also on the progress made in terms of absorption capacity and on the sustainability of reliable accounting, auditing and financial control systems for public funds, these being the methods required to lift Romania into a market economy fully capable of coping with fair competition from the European Union.

In its resolution of 11 March 2004 on progress towards accession by Romania<sup>4</sup>, Parliament:

- Welcomes the strengthening of the independence of the Members of the Court of Audit resulting from a constitutional amendment in October 2003; welcomes the increase in staffing levels in the Court of Audit; calls for appropriate training for the staff of the Court of Audit in order to impart knowledge of internationally recognised auditing standards and of the *acquis communautaire*; advises the Romanian Parliament to adopt a formal procedure for dealing with

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<sup>1</sup> OJ No. C 072E/2002

<sup>2</sup> OJ C 261E/2003

<sup>3</sup> OJ C 25 E/2004

<sup>4</sup> Minutes of the Plenary Session

the results of audits by the Court of Audit; calls on the Commission to monitor the development of the Court of Audit into an independent external auditing authority and, where appropriate, to provide assistance as regards technical aspects of management.

#### **4. Latest Assessment of the European Commission<sup>1</sup>**

Since the 2002 Regular Report, considerable progress has been made in the financial control area, notably as regards public internal financial control and external audit. Implementation remains the main priority and Romania needs to strengthen the capacity of the newly created administrative structures. Further efforts should be focused on implementing sound financial control systems (both public internal financial control systems and external audit systems) by completing legislative alignment, implementing the structural changes and strengthening administrative capacity relating to public internal financial control. In the area of the protection of the EC financial interests, the legislative framework should be further refined and administrative capacity must continue to be ensured. Romania is generally meeting the commitments it has made in the accession negotiations in this chapter.

July 2004

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<sup>1</sup> European Commission, 2003 Regular Report on Romania's progress towards accession:  
[http://www.europa.eu.int/comm/enlargement/report\\_2003/pdf/rr\\_ro\\_final.pdf](http://www.europa.eu.int/comm/enlargement/report_2003/pdf/rr_ro_final.pdf)