

Financial Audit – A Factor Stimulating Business Environment

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Abstract

In Romania there are several tens of billions lei in tangible assets in various stages of implementation and that are more or less subject to funding according to random criteria usually strictly related to political and electoral reasons. The big number of financial fixed assets generates considerable damage to the business environment which in such a critical period of the economic crisis has been its own cause – lack of cash. Certainly, the process may be difficult and in needs of professional solutions with regard to the complex and precise identification, the present value of these assets, the analysis of the opportunity to maintain or propose valuation, the resources that could be made circulate in the economic environment. Business can be stimulated by supporting robust investments and can be challenged by sale, lease or rental of in progress tangible assets that if completed, they would produce added value and would lead to a real value of public patrimony.

Domestic and international economic conditions are conducive to such an approach while the Government and local authorities are required to carry out, in a concerted effort, a financial audit of all the intangible fixed assets and, on the basis of its findings, to adopt the most appropriate measures. Public investment resources within the existing budgetary constraints will hardly be available, but the return to the potential internal resources, available even in the State or local authority patrimony, could generate the necessary additional resources. The audit could support the use of these resources obtained once in investment areas of paramount importance for Romania and would supplement the existing resources. Moreover, it would successfully abridge the periods of execution and implicitly, the budget would benefit from multiplied investments.

Keywords: financial audit, business environment, economic growth, investments, valuation of public patrimony

1. Introduction

We note that for several years of economic growth has been now a chimera, now an ideal, but quite rarely a palpable reality for both European and Romanian citizens, as well as

for the authorities that keep on promising better economic conditions whereas we all know that such a thing cannot happen without economic growth.

I will not highlight the well-known possibilities or governors' creativity to apply or find methods of economic growth in an unpredictable international circumstance with major imbalances and political-economic interests often conflicting or supporting visibly certain particular positions favourable to those who have the power to impose them because my intention is to find simple solutions available to political and governmental decision makers.

Obviously, I will refer to the Romanian business environment, recently tormented by a questionable austerity, a hostile fiscal-budgetary framework, a shortage of cheap financial resources, an inconsistency of forecast etc.

In this context, we must remark the so-called popular mourning that we don't have sufficient resources for investments and as a result, this track followed by all developed countries of the world in achieving the current economic level, may not be used, especially when the deficit negotiated in difficulty with the European agencies and which is increasingly low, abridges even more any public investment opportunity as a factor of economic growth, job creation, added value and finally better collection of taxes and fees.

All these being considered, we should focus on an intellectual investigation of squandered possibilities that could be re-assessed and finally directed to efficient solutions (Nicolaiescu, 2010).

The approach takes into account the use of the financial audit virtues meant to identify financial facts in accordance with the economic, legislative, and social framework and further on to recommend roads to follow, obviously with the assessment of the expected effects if these apply (Turlea and Mocanu, 2010).

2. Description of current situation

Since 1990 and so far all governments have relied on public investments and those supported by governments and local communities in order to reduce gaps in relation to the E.U. member states and improve the economic, administrative and social conditions of the Romanian citizens or local communities.

For many years we have witnessed the construction of national budgets and, with even much enthusiasm, the budgetary corrections of the allocations for various investment targets smaller or larger, more important or not, needed or not, useful or not, and I have come to identify a few tens of billions lei spent for investment projects in various stages of implementation.

The governments, one after another, had the complex mission, most of the time, quite difficult, to choose between several national public investments and lots of investments for

rural roads, water supplies, electricity, sewage, landscaping or restoring parks, gyms, ice rinks, ski slopes etc.

Moreover, the governments have been pressed by local or central politicians to cover all stupid investments, all extravagant requests, although according to the law of public finances, they cannot be financed if they do not meet a series of legal requirements with regard to feasibility, opportunity, approvals from certain competent bodies entitled to support them or not. The investments costs were often clearly superficial, most of the time, the decision being influenced by the political majority.

So is it that the annexes to the budget law are all full of started, but unfinished investments, not to add here those which haven't ever been carried over. Some of these tangible assets are prone to degradation due to thefts and burglary acts, which make them unrecognisable even if they are recorded in financial statements with certain considerable values.

Currently, many local authorities are keen on asking for more investments to go on what they started to implement some time ago, although no one is informed precisely on the utility of those particular investments. On the other side, there are many necessary investments blocked precisely due to the lack of national and/or local budgetary funds, for which some voices still insist on getting finances or for which there is no interest.

I think we can talk of a sort of consensus to continue the works for highways, roads, nuclear reactors, underground, railway, airports, hospitals, classrooms and more. Besides, there are many other started investments that have not been financed for years or that has been implemented in other socio-economic conditions and reality has demonstrated that it is economically eccentric and irrational to continue.

Therefore, after experiencing such a harsh reality, we should be rational and make proof of proper judgment in assessing the most appropriate decision making.

3. Conclusion and suggestions

The current situation can be managed economically only on the basis of an exhaustive financial audit of the tangible assets stock that should provide mitigation solutions to decrease and use of the huge, unused and written down of amounts of money (but we don't know how much), as well as to leverage the stock at a level which is in accordance with the real value of the market.

A professional audit could address not only a complex inventory, but also the way in which the investments in progress block public financial resources. At the same time the audit can present a true and fair value of those intangibles, and moreover, their value at the current price. In other words, through adjustments and revaluations, we may find out which could be their market value in the event of recovery.

My opinion is that audit will give to political decision makers – at the national and local level – a useful statement regarding the condition of those investments, a proposal relating to continuation or a proposal for recovery of those that are no longer viable. Political decision can follow the direction of selling, granting or hiring out some of them in order to be completed by potential investors or to find ways through which investments should be paid out to investors.

At the same time, those assets with no future could be given for free to local authorities who may use them for different purposes at the level of community which might exempt them for some budgetary expenditure. Thus, they may acquire a significant value if they cease wasting revenues. The amounts obtained in return could be an unexpected, unique and unrepeatable resource for the National Development Fund meant to support only major investments, but which, for the moment, has blocked all its investments due to lack of funding.

The result of the audit would solve even more aspects regarding the acceleration of the economic activity related to investments that are in progress, the possibility of some investors to overtake part of them, and the creation of a bureaucratically undistorted business environment.

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