

## **SIMULATION OF INTERNAL AUDIT WITHIN THE DEPARTMENT OF HUMAN RESOURCES IN AN ECONOMIC ENTITY FROM THE PUBLIC SECTOR**

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**ABSTRACT:** *The theoretical research in the fields - internal audit and human resources aims to explain why successful companies have failed to implement effective strategies and policies and effective internal audit and human resources through the application of appropriate models for assessment and analysis activities and specific processes and identifying good practices. The scientific approach was based on the analysis of the operational performance of processes and activities of internal audit and human resources and the size analysis behaviours of the organization as a component of the human resources strategy, which together with marketing strategy and production, are part of a strategic plan of the company.*

**KEY WORDS:** *control, audit, human, resources, report, evaluation.*

**JEL CLASSIFICATIONS:** *B 21, M 42.*

### **1. THEORETICAL AND PRACTICAL CONTRIBUTIONS**

This paper addresses a specific topic of internal audit and human resources, namely the study of human resources management. The research topics has set the following objectives:

A. A bibliographical study, on internal audit and human resources management, their role in ensuring that human resource quality and impact of strategies and policies for internal audit and human resources on organizational performance; determination based on literature study and studies in the field of the main features of the processes and activities of internal audit and human resources management; bibliography study on the role of internal audit and human resources management in ensuring competitive advantage, namely the impact of internal audit

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policies and strategies of HR activities and processes specific to the performance of the business.

B. The development of theoretical models for the analysis of processes and activities of internal audit and human resources to develop and implement strategies and policies for internal audit and human resources that includes the strategic analysis of the HR function-oriented towards human resources and quality assurance in achieving superior performance.

The theoretical research in the fields - internal audit and human resources aims to explain why successful companies have failed to implement effective strategies and policies and effective internal audit and human resources through the application of appropriate models for assessment and analysis activities and specific processes and identifying good practices. The scientific approach was based on the analysis of the operational performance of processes and activities of internal audit and human resources and the size analysis behaviours of the organization as a component of the human resources strategy, which together with marketing strategy and production, are part of a strategic plan of the company.

## **2. MISSION OBJECTIVES**

Evaluation of evidence documents / certification and reporting on the quality of staff recognition capabilities of staff in conjunction with existing legislative requirements. Assessment of applied work and internal control of the information, their suitability in accordance with legislative requirements.

Description of evaluation: the following items are taken into consideration:

- Performance management activities reported to the human resources needs of staff / response time and providing reliable information on the quality of professional staff development certificates, reports, statements.

- Procedures, internal control.

- The specific records of staff, reports, statistics and other documents requested by the organs of command, coordination and control organizations.

Evaluating work procedures applied within the department and evaluation of staff specific evidence documents.

Evaluating work procedures applied in the human resources department is under Law no. 672/2002 on public internal audit, with subsequent amendments and H. G. No. 1086/2013 for the approval of the General Norms on the exercise of the internal audit activity, with the approval of the general manager or the manager of the economic entity. During the period required, the internal auditor performs a mission of internal audit / compliance and regularly informal within the Human Resources department of the company.

The auditor by carrying out specific work of internal audit mission has as main objectives the efficiency of the organization and conduct of activities within the human resources activities in accordance with the legal provisions.

### **3. DUTIES OF THE HUMAN RESOURCES DEPARTMENT OF THE COMPANY**

Duties are found in:

1) the company's personnel policy, reflected in the selection of staff able to ensure requirements.

2) providing numerical and qualitative personnel, which requires, according to the payroll a minimum number of staff required, developed on the basis of rules and regulatory personnel, as well as its quality in preparing professionals in the specialty of the employer.

3) qualification and raising the level of professional training for all staff, which has become a permanent requirement by the Labour Code. HR activity should be guided and carried out also in the training of personnel in their field or related activities. Current legislation gives facilities to prepare their professional employees.

4) on the appreciation, promotion and motivation of staff, HR performs qualitative assessment of staff throughout the year together with annual assessments for the annual professional performance of each employee in accordance with the requirements of the post they occupy, contained in the job description. These assessments and evaluations gives quality personnel within the entity, which produces its labour motivation whose natural result should be reflected in the provision for employee remuneration.

### **4. THE LEGAL BASIS OF THE INTERNAL AUDIT ACTION**

- The internal audit plan for 2015 approved by the general manager;
- Law No. 672/2002 on internal audit, republished,
- H. G. no. 1086/2013 approving general rules on the exercise of the internal audit activity;
- Rules of Organization and Operation of the Company;
- Collective labour agreement at company level;
- Rules for exercising their internal audit.

Duration of internal audit 01.02.2015- 30.03.2015

Period under audit; 01.01.2014-31.12.2014

Type of Audit: Audit Compliance / regularity.

### **5. TECHNIQUES USED**

a) checking to ensure valid information provided on personnel records for the management, records accuracy reality and general registry of employees' personal files, documents of evidence and reporting.

Verification techniques used;

- Comparison; for appointment decisions and the information contained in personnel files, in the records and reporting in electronic applications.

- Consideration; for detecting errors / omissions in complement personal files, documents, records and reporting.

- Guarantee for checking the accuracy of data in the records and reporting documents and the justification records
- Tracking; to ascertain that all operations were performed real.
- b) interview in order to clarify certain legal aspects of the organization and conduct of activities.
- c) sampling for analysis of the preparation of documents.
- d) physical observation: in order to establish workflow, supplementing documents electronically, use of the computer system, the formation of their own opinions on how to prepare and issue documents.
- Audit tools;
  - Questionnaire acknowledgment;
  - Internal control questionnaire;
  - Checklists to determine the conditions which must be audited to meet each objective;
  - Tests.

## **6. DOCUMENTS AND MATERIALS EXAMINED IN THE HUMAN RESOURCES DEPARTMENT**

Spot verification referred to the following documents drawn up and completed for the period 01.01.2014-31.12.2014:

- The records and reporting on the activities of human resource management;
- Files on organizing and supporting contests, minutes of selecting the candidates' files, minutes of evidence of competition;
- General registry of employees electronically, personal files / professional, job, IOR;
- Collective attendance sheets, special record time provided over the normal working hours, overtime commands, requests;
- Project for the training and report on the execution of the training staff;
- Materials prepared during the audit;
- Centralizing and checklists on the description of the activities audited;
- LV- checklist objectives;
- FIAP- identification sheets analysis and findings;
- Working papers;
- Risk analysis table strengths and weaknesses topic in detail;
- Internal audit program and on-site intervention program;
- Internal control questionnaire;
- Tests;
- Minutes of the meeting opening / closing of the internal audit mission;
- Draft of the audit report.

The auditor has performed tests based on observation spot on the mode of operation in the Register REVISAL application and compliance with data entered reality. It was found that they were wrong codes established COR occupations according to some employees.

To establish actual occupation code / tool for all staff auditor recommends:

- Checking Code occupations personnel in accordance with the COR, how to sign up in the General Register of employees electronically.
- Providing support to the person who sets the encoding of occupations institute employees and an intermediate level control data to be entered in the register.

## **7. PERSONAL CASE MANAGEMENT / PROFESSIONAL CAREER DEVELOPMENT OF EMPLOYEES**

The auditor verified on a sample a number of 19 personal files. It was found that the current way of filing documents makes it hard to access the documents and following discussions with the head of HR, was agreed upon filing documents in binders by calendar year and schedule.

In order to ensure management and staff that future personal and professional data records of employees will be accurate and complete, and the documents will be consistent needs, the auditor recommends:

Develop written procedures and formalized with the establishment and updating personal files / professional case management employees, in accordance with legal and industry-specific research - development and associated electronic applications.

-Ensure Business records and data on professional performance to date, in pursuit of evaluation documents and contest files.

Training for staff / career development

Through tests conducted based checklists was checked the draft training plan on the 2014, the Report on the implementation plan for training in 2014 and the provisions of the Collective Bargaining Agreement relating to support employees in various forms in the career development.

Tests carried out on the basis of the evaluation revealed no differences between the objectives and tasks set by IOR duties for personnel on professional training and career development contained in job descriptions. The staff training plan meets the need for achieving the objectives of observation, to be included in the content of all forms of training followed by employees.

To continue career development and staff professional training as required.

-Insert in staff training plan for 2015 forms of training under article 26 of Law no. 319/2003, subjecting his leadership for approval, to be annexed to the Collective work - for next year.

-Track each employee career development through annual staff evaluation and monitoring procedures regarding their activity.

## **8. FINDINGS AND RECOMMENDATIONS**

To assess the effectiveness of the organization and functioning of the HR was conducted by auditor an audit trail related activities within the department and the responsible staff for the identified activities.

They were assessed duties and responsibilities of the job descriptions of staff in the HR department.

From analyzes of the balance of activities within the department and documents of evidence and reporting on human resources management, according to tests, developed based on checklists, interview conducted by head HR was found that their jobs are not effectively distributed staff in service with the volume of work required to implement the activities.

The immediate consequences of how current work in the HR; could cause failure within the works, distorted information, lack of supporting documentation supporting the traceability of the professional competence of staff.

To prevent malfunctioning in the activities of the HR to avoid overuse of certain persons and to apply the principle of internal control by separating duties or initiating functions separated from the certification / verification, the auditor recommends:

- Creating an effective balance premise of their activities within the HR by separating powers and tasks between several people, ensuring appropriate control and the personnel involved to receive consistent training as the tasks and duties to be distributed.

To ensure the quality and reliability of information on human resources proposed adaptation of documents of evidence and reporting to legislative requirements, regulations, instructions and a code of conduct for the recruitment and team of auditors recommends:

- Keeping personnel structure of the categories and functions provided by law.
- Records on personnel undergo doctoral, master's, higher education will be held on calendar years and will be reported to the application and annual to the management.

- Model forms for tracking and reporting on human resources to be approved in the written procedures.

- Annual presentation of statements on personal exits through retirement, departure from the company.

- Procedure development and updating written on Curriculum Vitae
- Develop annual report on the number of existing positions as payroll on staff.
- Drafting the managerial control system development on human resources management.

Evaluation of working papers used in HR have found the following;

- Personnel records are not kept in accordance with the structure of personnel provided in IOR.

- Personnel records do not provide all the necessary information.
- Records by age staff does not provide clear leadership, who can retire during the year.

- The need for developing / updating CVs of staff, as the source of data on the performance of staff, CV model ranges in CVs are part of professional files /.

- Analyse outputs of personnel through retirement / exit system to ensure the stability of research - is necessary to establish a minimum level of recruitment / promotion of staff.

- Lack of written and formalized work procedures.

## 9. CONCLUSIONS

The research for the development of this paper is sprung from the belief that economic activity is not only to obtain and maximize profits, but is a complex and dynamic process that involves resources of the most varied, including the efforts and creativity of employees. We live in a knowledge society, which is becoming an increasingly vital resource for success in business. From this perspective, employees of a company often become its most important assets, as bearers of knowledge. To treat employees as mere factors of production, only to watch them as a source generating costs, is the sure way to failure.

In an organization, human resources are valued as the most valuable asset owned. Considering that the total resources used by an organization, just the human resource cannot be "copied" as the management pays its strategic importance.

By developing a career, the individual satisfies his need for self-realization. Development of a person is seen as a dynamic and open interdependence of biological influences, cultural and individual and is no longer regarded as during certain stages of life.

For the full efficacy of internal auditing must be good communication between auditors and management, the latter to be open and responsive to the disclosure proposed recommendations.

It is very important for the auditor to properly diagnose a situation (here is ideal for him to have complex knowledge and receive explanations necessary to properly understand the work).

Research carried out in this paper included the most important functions, policies, programs and practices that designed a key for human resources management as to the objectives of the organization of specific individual. They are: planning, staffing, training and staff development; motivation (rewards design and management systems); human resource practices regarding recruitment, selection, engagement in employment and training; performance evaluation and salary; management and monitoring of workplace safety, health and welfare policies to retain competent workforce.

Information obtained by data processing and interpretation of the results were used to develop solutions and recommendations for the development of the strategic dimension of human resources management along with measures to increase the effectiveness and efficiency of operational activities and human resources processes. We also aim to identify best practices, taking into account both the theorists developed through the study of literature, and those accepted and used by practitioners investigated enterprises and other studies in the field. Of course that best practices were used as standards for the assessment, namely the planning, organization, coordination, training and human resources management control subsystem.

Experimental research based on a model of human resource audit aims to identify good practices and the complex issues facing enterprises in the textile and clothing industry to find the most suitable methods to improve human resource management.

Auditor believes that by implementing the recommendations under action of internal audit CRU, the activities of this department and mainly Human Resources and Management will be organized and operate efficiently as personnel and administrative can be provided with relevant information supported by documents conform to legal standards. During the internal audit mission, based on the observation made by the auditor and the head of department HR additions were made to the documents that they pass the law.

All findings are based on audit evidence conducted tests, worksheets, interviews, checklists, notes relationships and in the analysis and by their interpretation were developed FIAP - Links leading to recommendations and conclusions contained in the internal audit report.

The auditor's judgment on the organization and functioning of the management of human resources within the HR activity involving the actions of all employees and management concluded that the work must be improved by application of the measures and in particular on human resources.

Audited must prepare action program and implementation calendar and regularly report to the auditor's recommendations prior to their implementation. The audited shall be bound action program and timetable for implementing the recommendations, with a view to implementing the recommendations deadlines and internal auditor to report periodically their implementation status.

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