MANAGERIAL INTERNAL CONTROL IN PUBLIC CULTURAL INSTITUTIONS: AN EXPLORATORY COMPARATIVE ANALYSIS OF TWO ROMANIAN COUNTY-LEVEL AUDITS

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Abstract
This paper presents an exploratory, comparative case-study analysis of the structural vulnerabilities of the managerial internal control system (SCIM) in public cultural institutions subordinated to county authorities. Using a comparative methodology based on two recent compliance audit reports issued by the Romanian Court of Accounts, the study juxtaposes the Arad County Cultural Center (procurement and budget execution, 2020–2024) and the Argeș County Center for Culture and Arts (organisation, recruitment and payroll, 2023). Because the two reports cover different functional domains, periods, and assurance levels, they are treated as complementary rather than identical windows onto the same underlying phenomenon. The analysis highlights recurring irregularities regarding the liquidation and payment phases of budget expenditures, fragmented direct procurements, and the assignment of responsibilities for Preventive Financial Control (CFPP). Given the limited sample of two case studies, the findings are indicative rather than statistically generalisable; the study's original contribution lies in translating official audit findings into a structured, comparative diagnosis of SCIM vulnerabilities at the institutional level, an area in which detailed empirical evidence for the public cultural sector remains scarce. The objectives, methodology, findings, and policy recommendations are clearly summarised, with a view to improving the efficiency and integrity of public cultural management.

Keywords
Managerial internal control, public audit, public procurement, public sector governance, cultural institutions, budget execution, comparative case study.

JEL Classification
H83, M48, Z11.

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Introduction

Public cultural institutions in Romania operate within a complex regulatory and managerial framework. While they are tasked with preserving and promoting cultural heritage, they are also strictly regulated by the Local Public Finances Law (Law no. 273/2006) and the SCIM framework (Order no. 600/2018). Although international standards such as COSO and INTOSAI advocate for a substantive, risk-based internal control culture, in Romanian practice, procedural compliance often prevails at the expense of operational effectiveness.

County-level cultural institutions (cultural centres, museums, theatres, philharmonic orchestras) face challenges including limited human resources, insufficient procurement specialisation, and pressure to execute projects rapidly. These vulnerabilities can delay or compromise essential projects, reduce public trust, and diminish the institution's capacity to attract funding or strategic partnerships. The sector also carries a distinct internal control risk profile compared with other public entities: the seasonality of cultural events concentrates procurement activity into short windows, artistic and technical acquisitions (performances, exhibitions, restoration works) are harder to standardise through ordinary tender specifications, and contracts involving copyright and intellectual property rights introduce a layer of legal and financial complexity not typically found in other categories of public spending.

The general objective of this research is to identify and analyse the vulnerabilities of the managerial internal control system (SCIM) in public cultural institutions in Romania, through a comparative approach between two illustrative county-level entities, selected because they were the subject of recent, publicly available Court of Accounts compliance audits covering distinct functional domains (procurement and budget execution, and organisation and payroll) and different county budgetary contexts, thereby offering complementary rather than statistically representative evidence.

Specific objectives:

- To analyse the main irregularities and dysfunctions highlighted by external audit reports at the Arad County Cultural Center (CCJ Arad) and the Argeș County Center for Culture and Arts (CJCA Argeș);
- To compare the implementation of SCIM in the two institutions;
- To assess the impact of these vulnerabilities on financial efficiency and the quality of cultural services;
- To formulate recommendations for improving managerial internal control in the public cultural sector.

Research question: What are the main vulnerabilities of the managerial internal control system in public cultural institutions in Romania, and how do they influence the efficiency of the use of public funds and the quality of cultural services?

Research hypothesis: The primary vulnerabilities of the managerial internal control system in public cultural institutions do not stem from the absence of procedural frameworks but from their superficial or merely formal application, leading to resource waste and a decrease in the quality of cultural services.

1. Review of the scientific literature

Research on internal control in the public sector has highlighted the significance of a substantive, risk-based approach over formal compliance alone (COSO, 2013; INTOSAI, 2010). Internal control research in general has been criticised for its overemphasis on compliance checklists and underemphasis on substantive risk assessment (Chalmers, Hay, & Khlif, 2018). This concern is supported by empirical evidence from Romanian public entities. Munteanu, Grigorescu, Condrea and Pelinescu (2020) analysed Court of Accounts data for 2008–2018 using the principal component method and found that the internal control indicators show weak correlation with other governance benchmarks, suggesting that SCIM implementation is largely formal and has little practical impact on the broader institutional performance. Sector-specific studies also arrive at similar conclusions. Pătrînjan and Corman (2022) and Udrescu (2024) document persistent gaps between the procedural requirements of Order no. 600/2018 and their practical application in Romanian public institutions. Mangu (2021) emphasises the need to strengthen the link between managerial internal control and internal/external audit functions. Specifically, in public procurement, contract splitting to bypass competitive bidding requirements is a well-known proxy for corruption risk in the wider European literature (Fazekas, Tóth, & King, 2016). In the cultural sector, international research on museum and heritage governance highlights the tension between financial accountability and mission-driven decision-making, as well as the challenge of applying typical corporate governance tools to public cultural organisations (Brenton, 2021; Moreno Mendoza & Santana Talavera, 2025). The digitalisation and professionalisation of public administration are seen as the main drivers of stronger internal control in these areas (OECD, 2022). Overall, the research indicates that SCIM is generally implemented formally in Romanian public organisations, but little institution-level detail is provided about the precise ways in which this formalism manifests itself in subordinate public cultural institutions – a gap this study seeks to address.

2. Research Methodology

This study uses a comparative case study approach, combining qualitative and quantitative analysis. Data were extracted from official external audit reports:

- CCJ Arad – Arad County Cultural Center: Audit of public procurement and budget execution (2020–2024), compliance audit report no. 14017/18.02.2026.
- CJCA Argeș – Argeș County Center for Culture and Arts: Audit of organisation, recruitment and payroll (2023), compliance audit report no. 78006/22.11.2024.

CCJ Arad and CJCA Argeș were selected based on the availability of recent, publicly issued Court of Accounts compliance audit reports, the regional diversity of the two counties, and the contrast in the functional domains and budgetary scale of the two institutions, which together allow the study to illustrate SCIM vulnerabilities across more than one type of managerial activity. Data extraction proceeded in three steps: (1) each audit report was read in full and every reported irregularity or nonconformity was logged with its year, monetary value (where quantified), and the audit finding it stemmed from; (2) these entries were classified by type (procurement, payment/liquidation, payroll, governance/segregation of duties) and by whether the auditors treated them as significant enough to affect the audit conclusion or as a separate "other aspects" observation; (3) the

classified entries were then compared across the two institutions along these common categories to identify convergent and divergent patterns. Objectives included identifying vulnerabilities, comparing SCIM implementation, and evaluating financial and operational impact.

It should be noted that the two audit reports analysed cover different functional domains and were conducted under different assurance frameworks. The CCJ Arad report is an ad hoc compliance audit with limited assurance, covering procurement and budget execution for 2020–2024, and concludes with a qualified opinion (with reservations). The CJCA Argeș report is a compliance audit with reasonable assurance, covering organisation, recruitment, and payroll for the fiscal year 2023, and concludes with a qualified opinion. The comparison is therefore not a like-for-like performance benchmark on identical SCIM components or audit depth, but a juxtaposition of two distinct manifestations of the same underlying phenomenon – the formal, compliance-driven application of managerial internal control across different functional areas and audit scopes. This approach illustrates the breadth of SCIM vulnerabilities across functions and institutions, while limiting direct quantitative comparability between the two cases. The difference in assurance level also has a direct bearing on the depth of the conclusions that can be drawn: the limited-assurance CCJ Arad report supports narrower, exception-based conclusions confined to the specific transactions tested, whereas the reasonable-assurance CJCA Argeș report supports comparatively broader conclusions about the overall reliability of the payroll and organisational processes reviewed. This asymmetry is a further reason to treat the two cases as illustrative rather than as directly commensurable benchmarks.

3. Results and discussion

Before presenting the two cases in detail, it is worth stating explicitly that the vulnerabilities identified differ not only in magnitude but in kind. At CCJ Arad, the audit uncovered risks that touch directly on the integrity of the procurement function – fragmented contracts used to bypass competitive bidding, payments for works or goods not delivered, and payments lacking supporting documentation – all of which point to potential circumvention of controls rather than mere clerical error. At CJCA Argeș, by contrast, the significant nonconformities stem from administrative and calculation errors in payroll processing – an unrecorded refund obligation and salary amounts that diverge from the administrative acts governing them – which, while indicative of weak preventive control, do not carry the same connotation of deliberate avoidance. This qualitative distinction, developed further below, is at least as important as the difference in financial magnitude between the two cases, and it is consistent with the study's hypothesis that SCIM vulnerabilities in the public cultural sector take different forms depending on the functional area in which formal compliance substitutes for substantive control.

3.1. CCJ Arad – Fragmented Procurements and Formal Acceptance of Works

The audit identified financial irregularities, fragmented procurements to avoid public tenders, and non-compliant outsourcing of procurement tasks.

Table no. 1. Summary of Financial Irregularities Identified at Arad County Cultural Center (2020–2024)

Type of Irregularity	Year(s)	No. of Cases	Amount (lei)	Description
Illegal payments for unexecuted works/goods	2021, 2023, 2024	7 contracts	61,311.86	Payments for works/goods not delivered/executed
Payments without supporting documents	2020, 2021	3 contracts	89,119.54	Payments for services without proper documentation
Direct procurement exceeding legal thresholds	2020–2023	40+	Various	Fragmented procurements to avoid public tender
Procurement without consulting SEAP (Electronic Public Procurement System) operators	2024	1	Not specified	Direct procurement outside SEAP without minimum offers

Source: Romanian Court of Accounts, Audit Report no. 14017/18.02.2026 (table no. 1).

Beyond these liquidation and payment irregularities, the audit separately identified a systematic pattern of contract fragmentation in the procurement of repair works. Table no. 2 sets out this pattern year by year, comparing the total value of directly awarded repair contracts against the applicable legal threshold for direct procurement.

Table no. 2. Fragmentation of Repair Works Contracts by Year

Year	No. of Repair Contracts	Total Value (lei, excl. VAT)	Legal Direct Procurement Threshold (lei, excl. VAT)	Threshold Exceeded
2020	16	662,286.18	450,200	Yes
2021	11	802,396.98	450,200	Yes
2022	8	1,266,605.85	450,200 / 900,400 (from Sept)	Yes
2023	5	957,546	900,400	Yes
2024	7	467,714.33	900,400	No

Source: Romanian Court of Accounts, Audit Report no. 14017/18.02.2026 (table no. 2).

The trend is easier to read visually than in tabular form: Figure no. 1 plots the total contracted value of repair works against the legal direct-procurement threshold for each year. The two series converge in 2024, the only year in which the audited value stayed within the legal limit – consistent with the recommendation issued for that period and suggesting a partial, though not yet consolidated, improvement in compliance.

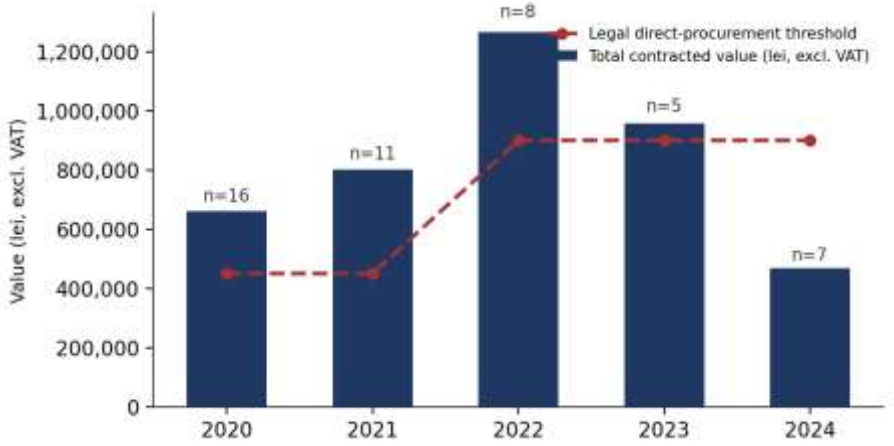


Figure no. 1: Fragmentation of Repair-Works Contracts vs. Legal Direct-Procurement Threshold — CCJ Arad, 2020–2024

Source: Author's own processing based on Romanian Court of Accounts, Audit Report no. 14017/18.02.2026.

3.2. CJCA Argeș – Payroll and Internal Control Deficiencies

The main nonconformities identified by the audit included failure to recover the value of vacation vouchers, salary underpayments, lack of preventive financial control for payroll operations, and overlap between the chief accountant and CFPP roles.

Table no. 3. Summary of Nonconformities Identified at Argeș County Center for Culture and Arts (2023)

Type of Nonconformity	Year	Amount (lei)	Description
Failure to recover vacation voucher value	2023	847	No record-keeping for refund obligation at contract termination
Salary underpayments due to payroll/administrative errors	2023	1,589	Lower salaries paid than those set by administrative acts
Lack of preventive financial control for payroll operations	2023	Not quantified	Payroll operations not subject to preventive financial control
Overlap of chief accountant and CFPP roles	2023	Not quantified	No segregation of duties in financial control

Source: Romanian Court of Accounts, Audit Report no. 78006/22.11.2024 (table no. 3).

The first two of these nonconformities were the only ones the auditors classified as significant enough to affect the audit conclusion. Table no. 4 places them in the broader context of the institution's overall compliance profile, drawn from the same report, and shows that the remaining areas examined were found compliant, with one notable exception concerning the segregation of preventive financial control duties.

Table no. 4. Compliance and Good Governance Aspects at CJCA Argeș

Area	Audit Finding	Compliance Status
Organisational structure	Approved & compliant	Yes
Recruitment procedures	Documented & respected	Yes
Payroll documentation	Complete & secure	Yes
Salary rights allocation	Based on legal documents	Yes
Preventive financial control	Not fully separated (overlap of roles)	Partial/No

Source: Romanian Court of Accounts, Audit Report no. 78006/22.11.2024 (table no. 4).

It is worth noting a methodological distinction within the CJCA Argeș report itself: only the failure to record vacation-voucher refund obligations and the salary underpayments were classified by the auditors as significant nonconformities affecting the audit conclusion. The lack of preventive financial control over payroll operations and the overlap between the chief accountant and CFPP roles were reported separately under "other aspects/good governance" and explicitly noted as not having influenced the qualified conclusion. This distinction matters: it indicates that even the auditors themselves treated the segregation-of-duties issue as a lower-severity observation, which should temper any claim that it carries the same evidentiary weight as the quantified irregularities.

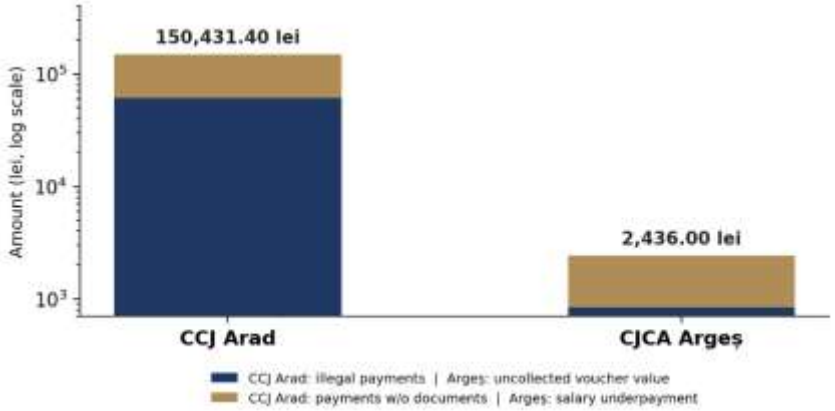


Figure no. 2: Comparative Financial Impact of Nonconformities (CCJ Arad vs. CJCA Argeș)

Source: Author's own processing based on Romanian Court of Accounts, Audit Reports no. 14017/18.02.2026 and no. 78006/22.11.2024.

The two totals differ not only in order of magnitude but also in nature: the CCJ Arad amount represents a confirmed financial loss (actual improper expenditure of public funds, since fully recovered), whereas the CJCA Argeș amount combines an uncollected employee receivable (847 lei) with an underpayment to staff (1,589 lei, which in fact reduced the institution's personnel expenditure rather than increasing it). Consequently, this figure should be read as illustrating the differing character of SCIM vulnerabilities across the two institutions rather than as a ranking of financial severity. For CCJ Arad,

the budget context is as follows: the institution's approved 2025 budget totalled 12,466,195.12 lei, with revenues equal to expenditures (Arad County Cultural Center, 2026). Expressed against this figure, the 150,431.40 lei in confirmed financial loss identified across the 2020–2024 audit period represents approximately 1.21% of a single year's operating budget. For CJCA Argeș, the approved 2025 county budget allocation was 8,511,000 lei (Argeș County Council, 2025); the 2,436 lei total from the two quantified nonconformities represents approximately 0.029% of this figure. Both percentages should be read as indicative rather than exact, since the audited years (2020–2024 for Arad; 2023 for Argeș) do not coincide with the 2025 budget year used here; nonetheless, the roughly 40-fold difference in relative share (1.21% vs. 0.029%) indicates, even after adjusting for institutional scale, that the Arad findings carry substantially greater practical materiality than the Argeș findings.

Read together, these findings support the study's hypothesis and echo the broader literature on formal versus substantive compliance in Romanian public entities (Munteanu, Grigorescu, Condrea, & Pelinescu, 2020; Pătrînjan & Corman, 2022; Udrescu, 2024): in both institutions, the procedural apparatus required by Order no. 600/2018 was formally in place, yet it did not prevent the specific irregularities identified by the auditors. The Arad case, with its pattern of contract fragmentation, resonates with the wider European evidence linking contract splitting to elevated corruption risk (Fazekas, Tóth, & King, 2016), while the Argeș case illustrates a subtler, lower-severity form of the same underlying formalism, consistent with the observation in the cultural-governance literature that generic control tools do not always map cleanly onto the operational realities of cultural institutions (Brenton, 2021; Moreno Mendoza & Santana Talavera, 2025). These parallels should nonetheless be read with caution, given that the two audits differ in period, functional domain, and assurance level, and that the underlying sample remains two institutions.

The results suggest that public cultural institutions should prioritise investment in continuous professional training for public procurement and internal control, establish and regularly update clear operational procedures, and implement integrated digital systems for budget and payroll management. At the policy level, national authorities could consider creating a centralised support unit for public procurement in the cultural sector to reduce fragmentation and ensure compliance. Enhanced performance indicators and external monitoring would further strengthen managerial integrity and financial accountability. The proposed pathway is summarised in figure no. 3.



Figure no. 3: Proposed SCIM Maturity Pathway for Public Cultural Institutions
Source: Author's conceptualization.

Conclusions

The findings are consistent with the initial hypothesis: despite a complex legislative and procedural framework, implementation often appears formal, and SCIM tools do not always function as genuine prevention and control mechanisms. Given the limited sample (two institutions and two audit reports with differing scopes and assurance levels), this conclusion should be read as indicative rather than statistically generalisable. The identified dysfunctions – fragmented procurements, lack of segregation of duties, improper outsourcing – generate financial risks and negatively affect the quality and credibility of cultural services.

Improving managerial internal control requires not only updating procedures but also professionalising human resources, digitalising processes, and introducing relevant performance indicators. An integrated approach to SCIM is essential for effective, transparent, and responsible management of public cultural institutions.

One limitation of this study is its reliance on external audit reports as empirical data, which may not capture all day-to-day operational practices within the institutions analysed. Furthermore, the comparative analysis focuses solely on two county-level entities, limiting the generalisability of findings to the entire Romanian public cultural sector. The findings should therefore be interpreted as indicative rather than universally representative.

Future research could expand the comparative analysis to a broader sample of cultural institutions across multiple regions or conduct longitudinal studies to assess the long-term impact of the implemented recommendations. Comparative studies with similar institutions in other European Union countries could also provide valuable insights into best practices and sectoral convergence.

This study provides added value by bridging the gap between public audit findings and management practices in the cultural sector, offering a rare, data-driven empirical perspective on the operationalisation of SCIM in Romania. By combining audit evidence with managerial analysis, the research highlights actionable levers for improving both compliance and the quality of cultural service delivery.

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