CONFERENCE PROCEEDINGS ARTICLE

Eleven Budgets, One Template: Cost Structure and the Limits of Separate Accounting in EU-Funded Local Government Projects

Alexandru-Ionut ALMASAN[1]

[1] Doctoral School of Economic and Humanistic Sciences, Valahia University of Targoviste, Romania

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Abstract

Beneficiaries of European Union funding must keep a separate accounting record for each project, and the content of that record is fixed by the structure of the approved budget. This paper asks how much of the project ledger is decided before implementation begins, by examining eleven budgets prepared at the same time, for the same call, by eleven Romanian rural municipalities assisted by the same consultant. The approved eligible budgets, worth 54.42 million lei in total and containing 294 budget lines, are analysed using category shares, coefficients of variation, a concentration index and an exact reconciliation of the flat-rate indirect cost line. Personnel absorbs 61.8 per cent of the eligible budget on average with a coefficient of variation of 0.043, and indirect costs equal 15.00 per cent of direct personnel cost in every project, the largest deviation being 0.00006 percentage points. The 294 lines take only 93 distinct values; four of them recur in at least ten budgets and account for between 22.8 and 24.4 per cent of each budget in which they appear. The dispersion that remains is concentrated in equipment, whose share runs from zero to 6.8 per cent, and one municipality replaced capital acquisition with an operating lease. A standardised budget therefore produces a standardised ledger. That lowers the cost of compliance for small administrations and makes verification faster, but it also means that the separate record documents the template as much as the transaction, which tells internal control where its attention is best spent.

Keywords: structural funds; municipalities; audit trail; flat rate; internal control; Romania

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1. INTRODUCTION

A beneficiary of European structural funds must keep an accounting record that isolates the project from the rest of its activity. For a municipality this means a distinct analytical ledger, a distinct set of supporting documents and a distinct audit trail, maintained alongside the general public accounting system it already operates. The obligation is administrative in form and substantive in effect: the separate record is what the managing authority verifies, what the audit authority samples and what an auditor of the European Court of Auditors reconstructs when the operation is drawn for testing.

The content of that record is largely determined before the project starts, by the structure of the approved budget. A budget with twenty-eight lines produces twenty-eight commitment trails; a budget in which three fifths of the value sits in personnel produces a ledger dominated by payroll. The budget is, in this sense, the chart of accounts of the project. Whatever the accounting rules say about how transactions are to be classified, the population of transactions that will ever be classified is fixed by the financing contract and its annex.

This paper examines eleven such budgets. They belong to eleven rural municipalities in a single Romanian county, all financing home-care and community services for older people under the same operational programme, all contracted in 2026 for implementation to 2029. They were prepared in the same period with the assistance of the same consultant, which makes them an unusually clean object of study. Much of the variation one would normally attribute to differences in advisers, in interpretation of the applicant's guide or in the timing of the call has been removed by construction, so that what remains is variation the beneficiaries themselves introduced.

The interest of the exercise is not in the eleven municipalities as such. It lies in what a highly standardised budget implies for an obligation that was designed on the assumption that each beneficiary records its own transactions in its own way. The requirement to keep a separate accounting system or an adequate accounting code, set out in Article 74(1)(a) of Regulation (EU) 2021/1060, presupposes that the separate record carries information: that it tells the verifier something about what this beneficiary did that could not be read off the budget. Where the budget is a template, the separate record risks becoming a template too.

Three questions are asked. How uniform is the resulting cost structure? Where does the residual variation sit? And what does the answer imply for the separate accounting obligation and for the internal control that surrounds it? The remainder of the paper is organised as follows. Section 2 reviews the literature on separate accounting for European funds, on simplified cost options and flat rates, on the cost structure of local government projects and on public sector accounting reform, and sets out the Romanian legal framework. Section 3 describes the data, the variables and the descriptive measures used. Section 4 reports the results. Section 5 discusses their consequences for the project ledger and for internal control. Section 6 concludes, states the limitations of the study and identifies directions for further work.

2. LITERATURE REVIEW

2.1 Separate Accounting for European Funds and the Logic of the Audit Trail

The requirement that a beneficiary maintain either a separate accounting system or an adequate accounting code for all transactions relating to an operation has been a standing condition of structural fund support across successive programming periods. In the 2021–2027 framework it appears in Article 74(1)(a) of Regulation (EU) 2021/1060, where it is placed among the duties of the managing

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authority: the authority must ensure that beneficiaries reimbursed on the basis of costs actually incurred keep such a system or code (European Parliament & Council of the European Union, 2021a). The purpose is traceability. Any amount claimed must be followed back to a document, a payment and an activity, and the analytical code is the thread that ties the three together.

Power (1997) described the wider phenomenon of which this rule is a small part: the tendency of programmes of public spending to generate verification rituals whose documentary output becomes an object in its own right. His later work on the micro-foundations of the audit society sharpens the point that matters here. The audit trail, Power (2021) argues, is not a neutral by-product of activity; organisations construct it in anticipation of being audited, and the shape of the trail is shaped by what the auditor is expected to look for. Applied to a project ledger, this suggests that a beneficiary who knows the structure of the approved budget will build the analytical record around it, so that the record confirms the budget rather than documents the activity.

The control architecture of cohesion policy gives that tendency ample room. Mendez and Bachtler (2011) documented the growth in audit requirements after 2000 and the unintended consequences that followed, including a shift of administrative effort from delivering results to documenting compliance. Their subsequent cross-national study of financial corrections found that the corrections imposed on member states were driven largely by weaknesses in administrative capacity and management and control systems rather than by the design of interventions (Mendez & Bachtler, 2017). The European Court of Auditors continues to report cohesion as a high-risk area of the Union budget, with an estimated level of error well above the materiality threshold in the financial years 2022 and 2023 and ineligible costs as the largest single source (European Court of Auditors, 2023, 2024). The beneficiary's separate record is the first line of evidence in each of these findings, which is why its informational content deserves examination.

For the Romanian case, Incaltarau et al. (2020) show that administrative capacity and the quality of political governance explain much of the difference in absorption between old and new member states, and Surubaru (2021) finds that European funds in Bulgaria and Romania have acted more as transfers than as drivers of institutional change at the local level. Neither study looks inside the ledger, but both point to small local beneficiaries as the place where the compliance burden of the separate record is felt most acutely.

2.2 Simplified Cost Options and Flat Rates

Simplified cost options were introduced to reduce precisely that burden. Instead of justifying each item of expenditure with invoices and proof of payment, the beneficiary declares eligible costs on the basis of standard scales of unit costs, lump sums or flat rates, and the indirect amount follows from a formula. Articles 53 to 56 of Regulation (EU) 2021/1060 codify the instruments for the current period, and Article 54 provides in particular that indirect costs may be reimbursed as a flat rate of up to 15 per cent of eligible direct staff costs without any requirement for the member state to justify the rate by

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calculation (European Parliament & Council of the European Union, 2021a). For operations below a stated threshold the use of simplified cost options is mandatory rather than optional under Article 53(2). For the European Social Fund Plus, from which social inclusion projects of the kind studied here are financed, Regulation (EU) 2021/1057 adds fund-specific provisions on the use of standard scales of unit costs and on the reporting that accompanies them (European Parliament & Council of the European Union, 2021b). The Commission's revised guidance consolidates the practice built up since 2014 and explains how each option is to be set, documented and audited (European Commission, 2021).

The European Court of Auditors examined the early uptake of these options in rural development and concluded that they simplified the administration of projects but did little to focus them on results, because the amounts payable remained tied to inputs rather than to what the project delivered (European Court of Auditors, 2018). Its later review of performance-based financing in cohesion policy reached a similar verdict for the 2014–2020 period: the instruments intended to link payment to performance were used, but did not noticeably change how funding was allocated or disbursed (European Court of Auditors, 2021). Both reports matter for the present paper because they describe a policy that has simplified the claim without changing what lies behind it.

What a flat rate does to the accounting record has received less attention than what it does to the claim. A flat-rate indirect cost line is not a record of consumption; it is a computation. Whatever the beneficiary actually spends on electricity, rent or administrative staff is invisible in the project ledger, and the amount that appears there is a function of a different variable altogether. Drury (2018) distinguishes between cost allocation as a measurement exercise and cost allocation as a contractual convention, and the flat rate falls squarely into the second category. This matters for any cost analysis performed on project data, including the one reported here, and it matters for the auditor, who cannot test an indirect cost line against invoices because there are none to test.

2.3 Cost Structures in Local Government Projects

The cost structure of a social services project run by a small municipality is dominated by labour. Home-care and community services for older people consist mostly of the time of care workers, coordinators and administrative staff, with a service component for meals and a small capital component for the premises and equipment needed to deliver them. Eurostat data on general government expenditure by function confirm that social protection is among the functions delivered at local level in most member states, and that local government carries a substantial share of the wage bill associated with it (Eurostat, 2025). The OECD's comparative material on subnational government reports the same pattern from a different direction: subnational entities are heavy employers relative to their share of spending, because the services assigned to them are labour-intensive (OECD, 2023).

The question that arises when several such projects are compared is how much of the observed cost structure reflects local choice and how much reflects the funding instrument. Where a call fixes

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the unit cost of a service and the number of participants, the corresponding budget line is determined by the call rather than by the applicant. Where a flat rate governs indirect costs, that line is determined by another line. The margin of local decision narrows to the categories the call leaves open, which in the projects examined here means the size and composition of the project team and the purchase of equipment.

The distinction between owning and leasing an asset is one of those open choices and it has a direct accounting consequence. A municipality that buys equipment recognises a fixed asset, records it in the project inventory and depreciates it; a municipality that leases the same equipment under an operating lease records a service expense and holds no asset at the end of the project. Both treatments are correct under the public institution accounting rules discussed below, and they produce project ledgers that are not comparable line by line. Benchmarking across beneficiaries, of the kind that managing authorities increasingly undertake and that the Commission's cohesion reports encourage as a route to better value for money (European Commission, 2022, 2024), has to normalise for this before it compares.

2.4 Public Sector Accounting Reform and the Romanian Framework

The separate project record sits inside a general public accounting system that has itself been the object of two decades of reform. Chan (2003) set out the purposes that government accounting is expected to serve, and the tension between its control function and its information function, at a moment when accrual reform was spreading through the OECD. Hood (1995) and Lapsley (2009) located that reform within the broader programme of new public management, and Lapsley in particular questioned whether the accounting technologies it introduced delivered the accountability they promised. Pollitt and Bouckaert (2017) trace the same reform trajectory across countries and note how often the formal adoption of a technique diverges from its use.

The specific question of accrual accounting in the public sector has been examined by Hyndman and Connolly (2011), who found that the road to accruals was often taken for reasons of legitimacy rather than use, and by Christiaens et al. (2015), whose international comparison showed uneven progress in the adoption of the International Public Sector Accounting Standards. Two recent systematic reviews confirm that the IPSAS literature has grown rapidly but remains concentrated on adoption and its determinants rather than on the use of accounting information inside the entity (Schmidthuber et al., 2022), and that implementation across Europe is best described as variations on a global theme, with national systems retaining much of their inherited structure (Polzer et al., 2022). Cuadrado-Ballesteros and Bisogno (2021) find that accounting reforms are associated with better governance indicators, which lends some support to the reform programme, while leaving open the mechanism at the level of the individual ledger.

Romania belongs to the group of countries in which the public institution accounting system moved to a modified accrual basis in the mid-2000s while retaining a budgetary classification as its

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organising principle. The chart of accounts and the methodological norms for public institutions are laid down by Order of the Minister of Public Finance No. 1917/2005 (Ministry of Public Finance, 2005), which requires analytical accounts to be opened by funding source and by budgetary classification. Law No. 273/2006 on local public finance governs the budgetary process of local authorities, the classification of their revenue and expenditure and the execution of their budgets through the state treasury (Parliament of Romania, 2006). Government Ordinance No. 119/1999 on internal managerial control and preventive financial control attaches a visa to every commitment and every payment authorisation, and requires that the person granting the visa be different from the person initiating the operation (Government of Romania, 1999). For the 2021–2027 period, the financial management of European funds allocated to Romania is regulated by Government Emergency Ordinance No. 133/2021, which sets the rules for prefinancing, reimbursement and the recording of European funds in the beneficiary's accounts (Government of Romania, 2021).

Within this framework the separate accounting obligation of Article 74(1)(a) is implemented as an analytical extension of the public accounting chart, with project-specific codes attached to the ordinary budget classification. Every payment made from the project passes through the same commitment, verification, authorisation and payment sequence as any other public expenditure, and through the preventive financial control visa that the ordinance attaches to that sequence. The project ledger is therefore not a parallel system but a labelled subset of the main one. The control frameworks that internal auditors apply to that subset, whether the COSO framework (Committee of Sponsoring Organizations of the Treadway Commission, 2013) or the Global Internal Audit Standards (Institute of Internal Auditors, 2024), both begin from the premise that the record reflects the entity's own decisions. The present paper asks how far that premise holds when the budget behind the record was standardised before any local decision was made.

3. METHODOLOGY

3.1 Data Sources and Sample

The dataset consists of the approved eligible budgets of eleven municipal projects, extracted line by line from the financing applications filed in the national electronic monitoring system for the 2021–2027 period (MySMIS2021). Each budget line carries an amount, a cost category and a description. The documents were obtained through advisory work with the beneficiary municipalities, with their consent, and the county and the individual identities are not reported because the analysis needs only the structure of the budgets.

The municipalities are anonymised as M1 to M11. The numbering follows the order in which the financing contracts were signed and carries no information about size; M5, for instance, has the smallest budget of the eleven. All amounts are in Romanian lei (RON). The total eligible value is 54.42 million RON. Individual budgets range from 4.78 to 4.98 million RON, with a mean of 4.95

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million and a coefficient of variation of 1.14 per cent. Ten projects run for 42 months and one, M4, for 36. The eleven budgets contain 294 lines in total, between 23 and 29 each.

Personnel accounts for most of the lines. Each project funds between 8 and 11 salaried positions, and the applicant's guide requires each position to be entered as two budget lines, one for gross salary and one for employer social contributions. A project with ten positions therefore carries twenty personnel lines, and the mean of 19.82 personnel lines per project reported below corresponds to a mean of 9.91 positions. The remaining lines are one for meals for participants, one for indirect costs, three for target-group activities and, where present, two for equipment; M6 replaces the equipment lines with a single operating lease line. The project with the fewest lines, M9, is the one with 8 positions, and the project with the most, M4, is the one with 11.

3.2 Variable Definitions and Measures

Budget lines are grouped into six cost categories that follow the applicant's guide: personnel, meals for participants, indirect costs, target-group activities, equipment and other. The share of category k in project j is defined in Equation (1) as the sum of the lines assigned to that category divided by the project's approved eligible budget.

$$s_{jk} = \sum_i x_{ijk} \,/\, B_j \tag{1}$$

where x_{ijk} is the amount of line i of category k in project j and B_j is the eligible budget of project j. Shares are expressed in per cent and sum to 100 within each project.

Cross-project dispersion of each category share is measured by the coefficient of variation in Equation (2), the sample standard deviation of the share across the eleven projects divided by its mean.

$$CV_k = \sigma_k \,/\, \bar{s}_k \tag{2}$$

The coefficient of variation is preferred to the standard deviation because the categories differ by an order of magnitude in mean share, and a standard deviation of two percentage points means something quite different for personnel at 62 per cent and for equipment at 4 per cent.

Concentration of the cost structure within each project is measured by a Herfindahl index computed on the category shares, as in Equation (3).

$$H_j = \sum_k (s_{jk} \,/\, 100)^2 \tag{3}$$

The index takes the value one when a single category absorbs the whole budget and falls towards one over the number of categories as the budget is spread evenly. It is reported here as a compact description of how far each budget is dominated by its largest category.

The flat-rate character of the indirect cost line is tested by an exact reconciliation rather than by a statistical test. For each project the ratio of the indirect cost line to the direct personnel cost is computed as in Equation (4), and the result is compared with the 15 per cent flat rate permitted by Article 54 of Regulation (EU) 2021/1060.

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$$r_j = 100 \times I_j / P_j \tag{4}$$

where I_j is the indirect cost line and P_j the sum of the personnel lines of project j. The quantity of interest is the maximum absolute deviation of r_j from 15.00 across the eleven projects.

The degree to which budget values repeat across projects is described by counting the distinct amounts among the 294 lines, identifying the values that appear in at least ten of the eleven budgets and computing the share of each budget that those recurring values represent.

3.3 Reconciliation and Diagnostics

Two checks were run on the extraction before any analysis. The sum of the individual lines was compared with the declared eligible total for each project; the maximum absolute discrepancy across the eleven is 0.00 RON, so the line-level data reconcile exactly with the headline figures. The category assignment of each line was then compared with the category code carried in the monitoring system, and no line was reassigned.

No inferential statistics are reported. With eleven observations, a variable that takes only two values and a category whose within-sample variance is zero by construction, a regression would describe the sample under the appearance of testing a hypothesis. Where the original analysis had attempted to relate the equipment share to budget size and project duration, the comparison is now presented for what it is, a description of one project against ten, in Section 4.3.

4. RESULTS

4.1 One Shape, Eleven Times

Figure 1 shows the composition of each budget by cost category, with the municipalities in contract order. The visual impression is of a single template applied eleven times, and the statistics in Table 1 support it. Personnel accounts for 61.8 per cent of the eligible budget on average, ranging from 58.7 per cent in M2 to 68.3 per cent in M9. Meals for participants account for 19.9 per cent, indirect costs for 9.3 per cent, target-group activities for 4.8 per cent and equipment for 4.1 per cent. The residual category, other, appears in a single project and is the operating lease of M6.

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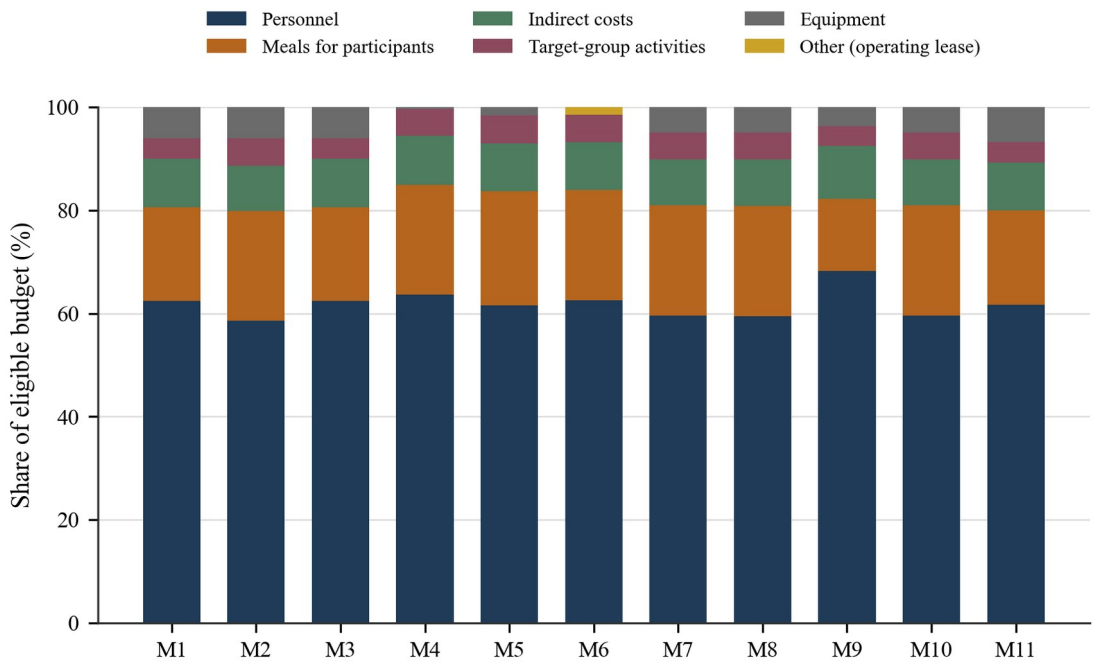


Figure 1. Composition of the eleven approved eligible budgets by cost category. Municipalities are anonymised and shown in the order in which the financing contracts were signed.

Source: Author's own elaboration on the approved project budgets.

Table 1 reports, for each category, the mean share, its standard deviation, the minimum and maximum across the eleven projects, the coefficient of variation from Equation (2) and the mean number of budget lines per project. The last column should be read with its note: it is computed over the projects in which the category is present, so that the figure for equipment refers to the ten projects that budgeted equipment and the figure for other refers to M6 alone.

Table 1.
Cost structure of the eleven municipal projects

Cost category	Mean share (%)	Std. dev. (pp)	Min (%)	Max (%)	Coefficient of variation	Lines per project (mean)
Personnel	61.82	2.68	58.67	68.30	0.043	19.82
Meals for participants	19.88	2.46	13.98	22.11	0.124	1.00
Indirect costs	9.27	0.40	8.80	10.24	0.043	1.00
Target-group activities	4.76	0.67	3.86	5.41	0.141	3.00
Equipment	4.12	2.41	0.00	6.80	0.586	2.00
Other	0.14	0.45	0.00	1.49	3.317	1.00

Note: N = 11 projects, 294 budget lines. Shares are computed on the approved eligible budget of each project. Mean share, standard deviation, minimum, maximum and coefficient of variation are computed over all eleven projects, with a share of zero where the category is absent. Lines per project is computed over the projects in which the category is present: eleven for personnel, meals, indirect costs and target-group activities, ten for equipment and one for other. Personnel lines are two per salaried position (gross salary and employer contributions). The other category appears in a single project and consists of an operating lease.

Source: Author's own calculations on the approved project budgets.

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The personnel share is the anchor of the structure. Its standard deviation of 2.68 percentage points on a mean of 61.82 gives a coefficient of variation of 0.043. The range is not a simple function of the number of positions: M9, with 8 positions and the fewest budget lines, has the highest personnel share, while M4, with 11 positions, sits near the middle of the distribution, so the grading and the working time of the positions, rather than their count, drive the amount. What moves the share at the margin is the rest of the budget; M9 also has the smallest meals line in the sample, and M2, with the lowest personnel share, combines a meals line above the mean with an equipment share near the top of the range. Indirect costs inherit the same coefficient of variation because, as Section 4.2 shows, they are a fixed proportion of personnel.

The concentration of the structure can be summarised by the Herfindahl index of Equation (3), which averages 0.4361 across the eleven projects and varies only between 0.4035 for M2 and 0.4993 for M9. A budget spread evenly over the five categories that all projects share would score 0.20; a budget entirely in personnel would score 1.00. On this measure the eleven projects are not merely similar; they are close to indistinguishable, and the whole of the spread between the two extremes is accounted for by the personnel share moving between 58.7 and 68.3 per cent.

Figure 2 presents the same information from the category side, with the mean share of each category and one standard deviation on either side. The error bars are narrow for personnel, indirect costs and target-group activities relative to the bar height, wider for meals, and wider still for equipment, where the standard deviation of 2.41 percentage points is more than half the mean.

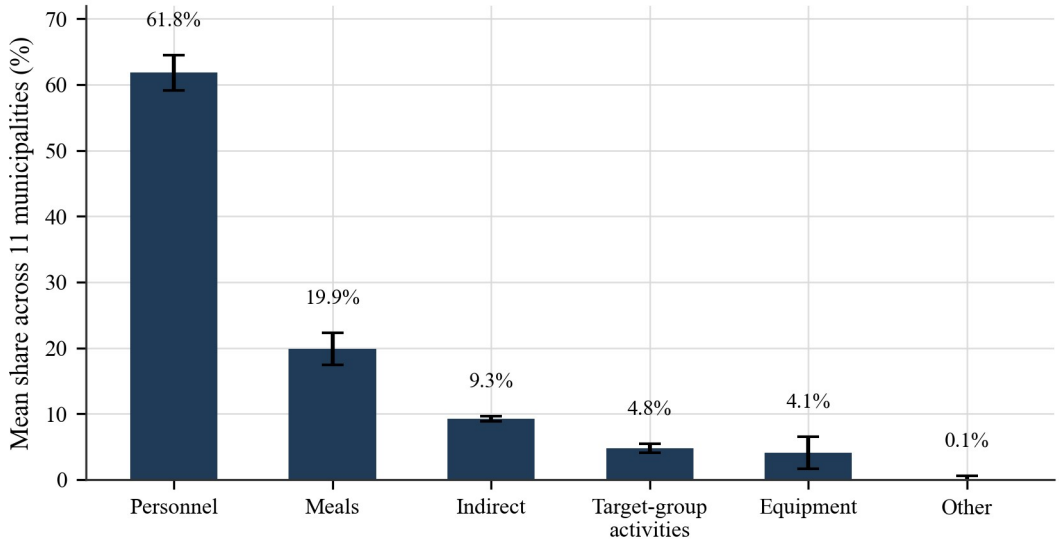


Figure 2. Mean share of each cost category across the eleven projects. Error bars show one standard deviation.

Source: Author's own elaboration on the approved project budgets.

4.2 The Flat Rate Is Exactly a Flat Rate

The clearest evidence of standardisation is the indirect cost line. Expressed as a percentage of direct personnel cost through Equation (4), it equals 15.00 per cent in every one of the eleven projects, with a maximum deviation across the sample of 0.00006 percentage points, which is rounding in the

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submission form and nothing else. The rate is the one permitted by Article 54 of Regulation (EU) 2021/1060 for indirect costs declared without a calculation method, and the applicant's guide for the call adopted it as the single option available to applicants.

No statistical test is reported on this series, because a series with zero variance does not admit one. The observation is an identity, not an estimate: the flat rate was applied mechanically to the personnel base in all eleven cases. Its analytical consequence is that indirect cost carries no independent information in this dataset. The 8.80 to 10.24 per cent range of the indirect share in Table 1 is simply 15 per cent of the 58.67 to 68.30 per cent range of the personnel share, and any regression that used indirect cost as a variable alongside personnel would be using a rescaled copy of the same series. For the ledger the consequence is the one anticipated in Section 2.2. The indirect line in each project's separate record will be a monthly computation on the payroll, and the municipality's actual overhead for the project, whatever it turns out to be, will appear nowhere in that record.

4.3 Where the Variation Is

Figure 3 ranks the categories by their coefficient of variation from Equation (2). Personnel and indirect costs stand at 0.043, meals at 0.124 and target-group activities at 0.141. Equipment stands apart at 0.586, with a share ranging from zero in M6 to 6.8 per cent in M11. The other category has the highest coefficient of any, 3.317, but only because a single non-zero value among eleven produces a large ratio by construction; it is shown for completeness and should not be read as evidence of dispersion in any substantive sense.

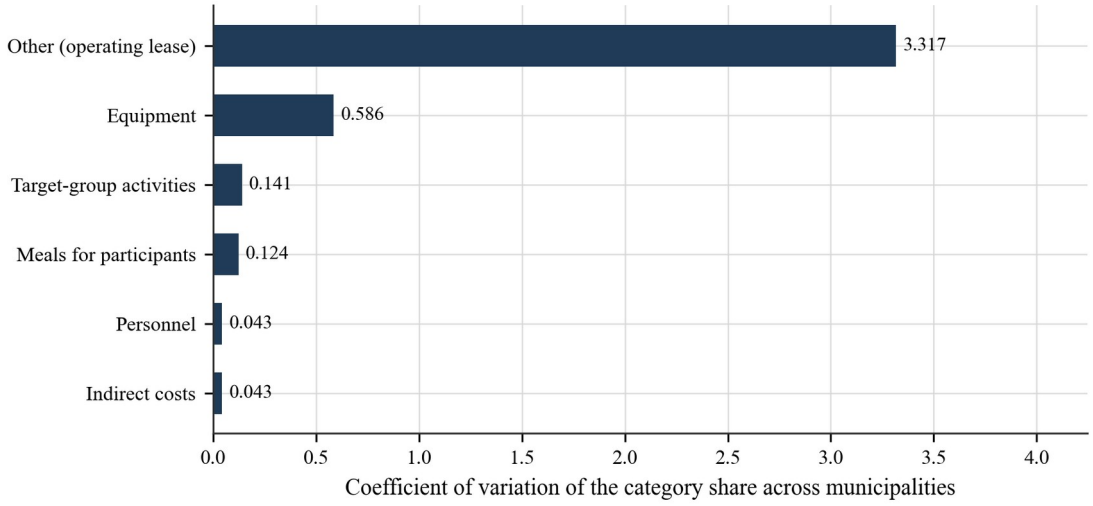


Figure 3. Dispersion of category shares across the eleven projects, measured by the coefficient of variation. Higher values indicate greater cross-municipality variation.

Source: Author's own elaboration on the approved project budgets.

Equipment is the category in which the municipalities made genuinely different choices. Some budgeted photovoltaic panels and heat pumps for the premises in which the service is delivered; others confined themselves to furniture and screens. M11 has the largest equipment share in the sample at 6.8

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per cent, M1, M2 and M3 are close to 6 per cent, M7, M8 and M10 are near 5 per cent, M9 is near 4 per cent, and M4 and M5 budgeted equipment at well under 2 per cent of their budgets. The range is not wide in absolute terms, at most 6.8 percentage points of a five million RON budget, but relative to the near-identical structure of everything else it is where the eleven administrations differ.

The one project with a different duration, M4, deserves a separate look, because it might be supposed that a 36-month project would present a different structure from the ten that run for 42 months. It does not, in any respect that the data can distinguish from the ordinary spread of the other ten. Its personnel share of just under 64 per cent sits inside the 58.7 to 68.3 per cent range of the others; its meals share is among the higher ones but below the maximum of 22.11 per cent, which belongs to another project; its indirect line is 15 per cent of personnel like all the rest; and its equipment share, barely visible in Figure 1, is the smallest positive share in the sample. M4 is also the project with the most positions, eleven, and with the largest number of budget lines, twenty-nine. A shorter project with more staff and almost no equipment is a plausible local configuration, but with one such project nothing can be said about duration as a determinant of structure, and the paper does not attempt to say it.

A second municipality is a special case worth recording. M6 has no equipment line at all. Instead it carries an operating lease worth 1.49 per cent of its budget, which is the only occurrence of that category in the eleven. The accounting consequence is direct. Where the other ten municipalities will recognise fixed assets, record them in the project inventory and depreciate them under the norms of Order No. 1917/2005, M6 will record a service expense month by month and will hold no asset at the end of the project. The two treatments are both correct, and they produce project ledgers that are not comparable line by line, a point taken up in Section 5.3.

4.4 How Much of a Budget Is Literally the Same Number

The 294 lines take only 93 distinct values. Four of those values appear in at least ten of the eleven budgets, and six appear in at least seven. The lines carrying the four most common values number 43, or 14.6 per cent of all lines, and they represent between 22.8 and 24.4 per cent of each budget that contains them.

This is what a standardised intervention looks like in accounting terms. Where the applicant's guide fixes the unit cost of a position or of a service and the number of beneficiaries it must reach, the corresponding budget line is determined by the guide and is identical across applicants who followed it. Roughly a quarter of each project budget in this sample was, in that sense, not a local decision at all. The remaining three quarters are not free either, since the personnel block that dominates them is built from a small menu of standard positions at standard rates, but at least the number and mix of positions was chosen locally.

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5. DISCUSSION

5.1 Standardisation Lowers Compliance Cost

The practical benefits of the structure documented in Section 4 are real, and they fall precisely on the beneficiaries least able to bear the alternative. Eleven municipalities operating an identical budget structure can use an identical analytical chart of accounts, an identical set of supporting document templates and an identical reporting routine. For rural administrations with financial departments of two or three people, this is the difference between a manageable obligation and an unmanageable one. It is also the outcome the simplification agenda of the Commission was designed to produce (European Commission, 2021), and the finding that the flat rate was applied uniformly and without error in all eleven cases is, from the point of view of that agenda, a success.

Verification benefits in the same way. A verifier who learns one structure and applies it eleven times spends less time on each file, and the risk of error in the claim falls because the arithmetic of the indirect line is the same in every case. The Court's repeated finding that ineligible costs are the largest source of error in cohesion spending (European Court of Auditors, 2023, 2024) is, in part, a finding about the diversity of cost structures that verifiers must master; a template reduces that diversity and with it the scope for the most common category of error.

5.2 The Ledger Records the Template

The corresponding risk is the one anticipated by Power (2021): that the separate record confirms the budget rather than documents the activity. Three features of the data point at it. The indirect cost line is a computation, not a record of consumption. A quarter of each budget consists of values that were set outside the municipality. And the personnel structure, at two lines for each of eight to eleven positions, is close to identical across eleven administrations of visibly different size and, presumably, different needs.

None of this is irregular. The flat rate is lawful, the standard unit costs are those of the call, and a municipality that copies the template is doing exactly what the applicant's guide asked. What follows is a statement about where the information in the separate record actually resides. Article 74(1)(a) assumes that the record tells the verifier something about this beneficiary; in these eleven projects, most of what the record will contain could be written down today from the budget alone, before a single transaction has occurred. The information that cannot be written down in advance is in two places. It is in equipment, where the choices differ, and it is in the personnel time records, which are the one point at which a standardised budget line meets an individual reality: a named person, a contract, a timesheet, a month worked or not worked.

That is a useful conclusion for the internal control function of the municipality and for the audit authority alike. The COSO framework and the Global Internal Audit Standards both direct attention to the points where the entity's own judgement enters the record (Committee of Sponsoring

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Organizations of the Treadway Commission, 2013; Institute of Internal Auditors, 2024). In these projects, those points are few and identifiable. A preventive financial control visa applied with equal care to every line, as Government Ordinance No. 119/1999 formally requires, spends most of its effort confirming arithmetic that cannot be wrong. The Ordinance also requires that the person who grants the visa be different from the person who initiates the operation, and in a commune whose project team is funded from the project itself, finding that second person may be harder than finding the time.

5.3 A Note on Comparability

The lease case in M6 illustrates a broader point about cost analysis on project data, and it connects to the reform literature reviewed in Section 2.4. Two municipalities delivering the same service with the same budget can present different cost structures purely because of an acquisition decision with no service consequence. A public institution accounting system that, like the Romanian one, records both an accrual measure and a budgetary classification (Ministry of Public Finance, 2005; Parliament of Romania, 2006) will show the two cases as different in the first and similar in the second, and the separate project ledger, which is built on the budgetary classification, will follow the second. Any benchmarking exercise across beneficiaries has to decide which of the two views it is comparing before it compares.

The wider point is one that the accounting reform literature has made about the public sector in general (Christiaens et al., 2015; Polzer et al., 2022): the adoption of a common framework does not by itself produce comparable numbers, because the choices that determine the numbers are made below the level at which the framework operates. Eleven projects prepared from one template are the most favourable case imaginable for comparability, and even here a single acquisition decision breaks the line-by-line correspondence. Where the templates differ, as they will across calls, programmes and member states, the difficulty compounds.

6. CONCLUSIONS

Eleven municipal projects financed under the same call display a cost structure that is uniform to an unusual degree: budgets within 1.14 per cent of each other in relative terms, a personnel share of 61.8 per cent with a coefficient of variation of 0.043, an indirect cost line that equals 15.00 per cent of direct personnel cost in every single case, and a quarter of each budget made up of four values that recur across the sample. The dispersion that exists is concentrated in equipment, whose share runs from zero to 6.8 per cent, and in the single project that leased rather than bought.

For the separate accounting obligation of Article 74(1)(a) of Regulation (EU) 2021/1060 the finding cuts both ways. Standardisation makes the obligation affordable for small administrations, and it makes verification efficient. It also means that most of what the project ledger will contain was determined before any local official made a decision, which tells the internal control function where to look: at equipment, at time records, and at the small number of lines where the eleven budgets actually

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differ. A control effort that treats every line as equally uncertain is misdirected in a template-built project, and a control effort that concentrates on the few lines where local judgement entered is not.

The study has clear limitations. The sample is eleven projects from one call in one county, prepared with the assistance of the same consultant, so the uniformity documented here is partly a property of that shared preparation and cannot be generalised to beneficiaries at large; a sample drawn across consultants, or across counties, would almost certainly show more dispersion, and the interesting question is how much more. The data are approved budgets, not executed expenditure; whether the ledger ends up matching the budget is an empirical question this paper cannot answer. The analysis is descriptive by design, because eleven observations, one of which differs from the rest in duration, do not support inference, and the paper has been careful not to present a description as a test. And the categories are those of the applicant's guide, which are coarser than the analytical accounts the municipalities will actually keep.

Three directions for further work follow. The first is to repeat the analysis on realised costs once the first reimbursement claims have been validated, comparing the executed ledger with the approved budget line by line and measuring where, and by how much, the two diverge; that comparison would test directly whether the record documents the transaction or the template. The second is to extend the sample across calls and consultants, so that the contribution of shared preparation to uniformity can be separated from the contribution of the funding instrument. The third concerns the same eleven budgets, which are analysed from a treasury perspective and from a preventive control perspective in two companion studies in preparation, by the author and by a colleague; read together with the present paper, those studies describe what a template-built project looks like from the three vantage points of the accountant, the treasurer and the controller, and the natural next step is to bring the three descriptions into a single account of the cost of compliance for a small beneficiary.

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AUTHOR CONTRIBUTIONS

Conceptualisation, A.A.; methodology, A.A.; software, A.A.; formal analysis, A.A.; data curation, A.A.; writing, original draft, A.A.; writing, review and editing, A.A. The author has read and agreed to the published version of the manuscript.

DATA AVAILABILITY

The analysis uses the approved eligible budgets of eleven municipal projects, extracted line by line from the financing applications filed in the national electronic monitoring system for the 2021–2027 period (MySMIS2021). Municipality identities are withheld and results are reported in anonymised and aggregated form. The anonymised line-level dataset (294 budget lines, eleven projects) and the calculation worksheet are available from the author on reasonable request.

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DECLARATION OF INTEREST

The budget documents analysed were obtained through advisory work with the beneficiary municipalities, with their consent, and the author has no financial interest in the implementation of the projects and receives no benefit from it. The author declares no other competing interests.

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