
Reporting Significant Transactions with Affiliated Parties of Listed Companies on Stock Exchange

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Abstract

The complexity of related party transactions may lead to subjective interpretations of their reporting requirements. The objective of the paper is to examine the nature of significant transactions with related parties, how they were reported in accordance with legal requirements, and how the reported issues are correlated with the information in the annual financial statements. The study includes a synthesis of the evolution of specific regulations in Romania, as well as a centralization of the information highlighted in current reports published by entities and annual reports for 2017-2019, in order to identify issues to consider in the process reporting and publishing, in the case of companies carrying out such transactions. The sample consists of energy companies listed on the Bucharest Stock Exchange, included in the BET index, in which the state is the majority shareholder. The results of the study showed that reporting requirements have changed over time, both in terms of defining transactions and mandatory reporting ceilings. The analysis found different interpretations of companies on reporting obligations which can lead to difficulties in correlating and comparing data in the context of corporate transparency. The conclusion is that additional factors arise when reporting these types of transactions, which must be taken into account so that there is no impact on their completeness and accuracy, without affecting the auditor's opinion.

Key words: significant transactions; related parties; auditor; reporting; transparency;

JEL Classification: M42, M48, M41, G38

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Introduction

In order to increase the degree of trust in the companies that are listed on the stock exchange, the interested parties requested to obtain more corporate and high-quality information (Boesso & Kumar, 2007). Interest in corporate information has grown not only among users of financial statements, but has also spread among new users requesting clear, relevant and timely information related to both financial performance and other useful information of the activity of the companies analyzed, in particular those related to their social size and corporate risks. Improvements in risk disclosure play an important role in protecting the interests of stakeholders and, consequently, they are an important part of corporate governance reforms (Solomon et al., 2000). At the same time, in order to build trust and gain social legitimacy, firms have responded to growing pressure from stakeholders by voluntarily disclosing a greater amount of risk-related information (Abraham & Cox, 2007). The companies wish to promote themselves because like any other company they develop a new product, namely their own listed shares. Communication with investors, analysts and the media is a path that must be taken seriously by companies. The result of communication with them in response to market demand is directly reflected both in the share price and in the relationship with users (Hațegan, 2020). At both European and national level, the interest in making the financial information presented as transparent as possible leads to the need for stricter regulations on the reporting of transactions with related parties, as additional factors arise when auditing such companies, transactions that must be taken into account so that there is no impact on the correctness and accuracy of the results of the independent auditor's report (Pasc & Hațegan 2020). Such a set of measures and instruments is currently being adopted by the European Union through the Directives on: i) harmonization of transparency obligations with regard to information on issuers whose securities are admitted to trading on a regulated market, ii) the prospectus to be published in the case of a public offering of securities or for the admission of securities to trading, iii) the establishment of rules for the application of certain provisions. All these directives have been transposed into Romanian legislation.

The objective of the paper is to identify the degree of compliance regarding the reporting of significant transactions with related parties carried out according to

legal requirements for 2017-2019 and the analysis of how the reported issues are correlated with the information in the annual financial statements of the sampled energy companies listed on the Bucharest Stock Exchange, included in the BET index, in which the state is the majority shareholder.

The paper is organized as follows: following the literature review and review of the legislative history, the methodology used to identify the level of information disclosed by Romanian companies listed on the stock exchange on related party transactions is presented. The results are presented and discussed in the fourth section. The final section summarizes the main conclusions of the study with a brief discussion about its implications for future research as well as the limitations of this study.

1. Literature review and regulatory framework

1.1. Literature review

Keeping managerial abuse under control to reduce losses due to conflicts of interest is, for many, the key to corporate governance; shareholders must be constantly on alert to not be deceived by greedy or unscrupulous managers (Charkham & Simpson, 1998).

From the point of view of investor theory, interest in corporate information is not limited to shareholders and other investors, but also to other interested groups of investors. Depending on the extent to which firms recognize the legitimacy of the interests of these stakeholders, they tend to voluntarily report information to achieve their intended purpose. This theory focuses on the most influential actors in an organization, namely those who can influence it, directly or indirectly. According to Boesso & Kumar (2007), the more critical a group of investors is to a company, the greater is its influence on the company's disclosure practices. Miihkinen (2012) defined risk disclosure as "all the information that firms provide in the risk analyzes they present in their annual reports". The study of risk presentation can be considered a new field of research in financial accounting (Linsley & Shrivs, 2006).

In empirical accounting research, the researchers Beerbaum (2015), Wagenhofer (2008), Cadbury (1999), Markarian et al., (2007) considered that

although companies should follow the approach of disclosing specific investment to external investors, corporate disclosures tend to assimilate and to converge on group disclosures and form clusters or packages, following the path dependency theory (Bebchuk & Roe, 1999).

Faulkender & Yang (2012) noted that the evidence shows that benchmarking manipulation became more severe after improved mandatory disclosure was required, especially in firms with substantial shareholder complaints about compensation practices, low institutional ownership and ownership by boards of directors or managers. The strongest effect is felt in companies with new directors. These findings call into question whether mere disclosure can remedy possible abuses in compensation by executives.

Abusive transactions with related parties took place in Romania due to the weaknesses of the mechanisms that govern them, very few companies disclosed detailed information. (Mihai et.al., 2017). Căpățină-Verdeș and Mironiuc (2018) investigated the relevance of the information in the financial reports regarding transactions with related parties based on transfer prices, presented by entities listed in Romania, in the period after the application of international regulations, respectively 2012 - 2016. The conclusion of the study was that the annual tax reports of listed entities that reported related party transactions should be considered relevant and reliable for users of tax data.

In another study, Ignat & Feleaga (2019) concluded that the substantiation of the competition principle as required by IAS 24 *Related party disclosures* is a subjective analysis influenced by domestic law, bringing into question the idea of the need for a rule to be applied uniformly in all countries. At this point, if a transaction with an affiliated party is considered in one jurisdiction, it may comply with the competition principle and, if analyzed in another jurisdiction, may not comply with this principle. This situation can lead to double taxation of results within a multinational group of companies.

There is a very fine line between interests; Bodu (2019) clarified the notions of contrary or conflicting interest meaning that there is a conflict between

the interest of society and the one who decides for society. The contrary interest must be significant, not only marginally and in the first case, it affects the decisional objectivity and suppresses the good faith of the members of the management bodies towards the company they manage. For this reason, the legislator established both civil and criminal actions in case of decisions taken in conflict with the corporate interest. The opposite interest may arise: (i) at the representation, when a member of the management body concludes an act at the company's expense even if there is a conflict of interest; (ii) in the decision-making process, when one or more members participate in the deliberation; or (iii) in the case of obtaining personal profits from the use of goods or information to which he has access by virtue of membership in the management body.

1.2. Regulatory framework for reporting relations with related parties

In Romania, the reporting of transactions with affiliated parties was regulated by several normative acts, in **Table no. 1** being presented the chronology of the most relevant of them.

From **Table no. 1** results that art. 82 of Law 24/2017 provided for a value threshold of 50,000 euros. The legislator decided to separate from Law 297/2004 the articles dedicated to issuers of financial instruments and operations in the market with these instruments and although it repeals in proportion of 80% the provisions it repealed from the latter normative act, Law 24/2017 groups those legal institutions that form the special corporate law of the capital market (Bodu, 2019). At the time of the publication of the law, Article 82 contained clear provisions regarding the obligations of the directors of companies admitted to trading on the financial markets. Legislators have brought the regulations to a more detailed level, inserting more specific and detailed requirements that include the obligation to carry out additional checks by auditing companies in the area of application, to protect investors and shareholders and ensure that they are properly informed and during these transactions.

Table no. 1. Chronology of normative acts that regulated the reporting of significant transactions

Act/ Art.	In force	Summary	Observations/ Modifications
Law no. 297/2004 on capital markets (L297/2004)			
Art. 225	29 June 2004	Par.1 The directors of the companies traded on the stock exchange must report to the supervisory authority all legal acts whose cumulative value exceeds 50,000 euros, which were concluded with employees, administrators, shareholders holding the respective control with the persons with whom they interact	The first legislative regulation in the field
		Par.2 When concluding any legal acts, the market price and the interests of the third parties with which the act is concluded shall be observed, mentioned in paragraph 1	
		Par.3 The reports provided in paragraph 1 shall specify precise elements such as: the parties that concluded the legal act, the date of conclusion and nature of the act, the description of its object, the total value of the legal act, mutual debts, guarantees, deadlines and payment methods.	art. repealed on 29.03.2017
		Par.4 The reports must also contain any other information necessary to analyze the effects of legal acts on the financial situation of the company.	
Law no. 24/2017 on issuers of financial instruments and market operations (L24/2017)			
Art. 82	1 April 2017	Par.1... "any legal act concluded by the issuer with the directors, employees, shareholders holding control, as well as with the persons with whom they act in concert, whose cumulative value represents at least the RON equivalent of 50,000 euros"	It is transposed almost identically art. 225 of Law 297/2014 in art.82
Law 158/2020 for amending, supplementing and repealing certain acts (L158/2020), among which is also Law 24/2017			
Art. 82	28 Aug. 2020	At point 40 of the law, it is mentioned that art.82 is repealed	The info will be partially taken over in art.92 ³ of Law 24/2017
Art. 92 ³	28 Aug. 2020	(1) Paragraph 1 of the old art. 82 shall be kept, namely that the entities traded on the stock exchange must report to ASF all legal documents and additions shall be made in accordance with paragraphs 3 and 13.	Responsibility is now transferred to the entire board of directors
		(3) Defines the notion of "significant transaction" as any transfer of resources, services or obligations whether or not it involves the payment of a price, the individual or cumulative value of which represents more than 5% of the issuer's net assets	It introduces and defines the notion of significant transaction
		(13) If the threshold of 5% of the value of net assets is exceeded as a result of the cumulation of transactions with the same affiliated party or only individually, the respective transactions must be made public.	The amount of 50,000 euros is replaced by significant transactions or in a percentage of 5% of the net assets of the issuing company
		(2) Paragraphs (3) and (4) of former art.82 are taken over. The reports contain precise elements such as: the parties that concluded the legal act, the date of conclusion and the nature of the act, the description of its object, the total value of the legal act, mutual debts, guarantees established, the terms and methods of payment	
		(6) Keeps the paragraph 2 of the old Article 82, namely that: at the conclusion of any legal acts the market price and the interests of the third parties with which the act is concluded; adds the obligation to present justifications for the transactions that are not made at the market	The obligation to provide justifications for transactions not carried out at market price is added
		New paragraphs are introduced which provide further clarification, namely par. 5 and 7 to 12, respectively	

Source: Authors' processing, 2021

It is necessary to emphasize the definition of new concepts introduced by Article 923, namely that the

"significant transaction" means any transfer of resources, services or obligations whether it includes or not paying a

price whose individual or cumulated value is more than 5% of the issuer's net assets, according to the latest individual financial reports published by the issuer.

The reporting of companies' transactions is monitored by the Romanian Financial Supervision Authority (ASF), which has issued regulations for the application of legal requirements. Thus, the last regulation in force is Regulation no. 5/2018 regarding the issuers of financial instruments and market operations (R 5/2018) which at art. 144 states that the reports published by companies are analyzed by the financial auditor who has the obligation to issue "a report stating whether the price, in conjunction with the rights and obligations assumed by the parties, is fair compared to other existing offers on the market." Thus, Regulation no. 5/2018 regulates the procedure and standards to which the audit firms are obliged to adhere, complementing the obligation imposed by art. 82, namely that the reports published by entities regarding significant transactions be audited. According to this regulation, the financial auditor only analyzes the transactions reported during the semester by the audited entity and will draw up a limited insurance commitment. It is based on simplified sampling procedures and has a smaller scale overall. The report drawn up shall specify whether the price, in conjunction with the rights and obligations assumed by the parties, is correct in relation to the other existing offers on the market. If the transactions are not carried out at the market price, the reasons that led to this derogation and the pricing policies will be specified. The task of ensuring that the supporting documents underlying the preparation of current reports, as well as the evidence

provided to the auditor, are complete, correct and justified lies solely with the entity that prepares them.

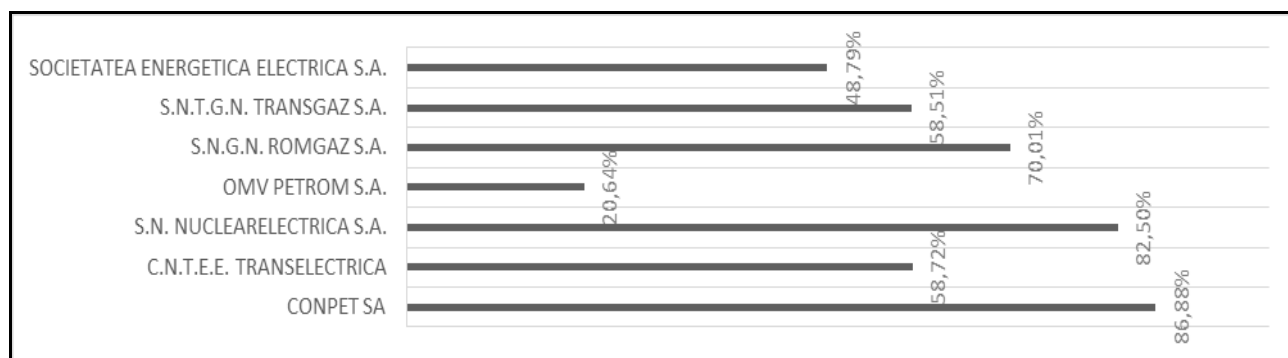
2. Research methodology

The research methodology is qualitative and consists in synthesizing the reports on significant transactions published by listed companies on the regulated market on the IRIS (Issuer Reporting Information System) platform developed by BVB, and also comparing the obtained information with their directors' annual reports and notes to the statements of annual financial audits. The research object of the study was the thematic of reporting transactions with related parties as regulated by art. 82 of Law 24/2017.

The selection process was based on three criteria, companies must: i) publish transactions according to art. 82 of Law 24/2017 which had as object sale-purchase transactions, ii) to be included in the BET index of BVB in the energy activity sector, iii) to have the Romanian state as the majority shareholder.

A first step was the scientific documentation aimed at deepening the existing information in the field of study of transactions with related parties and addressed their impact on companies. The reports were selected using the expression "Art. 82 of Law 24/2017" as a filtering criterion, published in the period 2017 - 2019. Out of the total of 21,325 published reports, following the filter applied according to the first selection criterion, 1,580 published reports related to a number of 87 companies were identified. After the application of the second criteria, 7 companies in the field of energy remained graphically presented in *Figure no. 1*, according to the share held by the state in the share capital.

Figure no. 1. Energy companies included in the BET index



Source: Authors' processing, 2021

After the application of the third selection criterion, the reports of the 2 companies where the state is not the majority shareholder were eliminated, leaving in the sample a number of 535 reports published by 5

companies, which represents a third of the number of reports published by main market companies. The characteristics of the companies, sorted alphabetically by stock exchange symbol are highlighted in **Table no. 2**.

Table no. 2. Characteristics of the companies included in the final sample

Symbol BVB	Company	Activity area	No. reports	Ownership percentage
COTE	Conpet SA	Services - pipeline transport	4	58.7162
SNG	S.N.G.N. Romgaz S.A.	Utilities - natural gas extraction	159	70.0071
SNN	S.N. Nuclearelectrica S.A.	Utilities - electricity production	214	82.4981
TEL	C.N.T.E.E. Transelectrica	Utilities - electricity transmission	32	58.6882
TGN	S.N.T.G.N. Transgaz S.A.	Utilities - natural gas transportation	62	58.5097

Source: Authors' processing, 2021

3. RESULTS

The analysis of the information published by the companies included in the sample was performed on

each company, and the results are centralized in separate tables, the amounts being expressed in lei. **Table no. 3** provides the information identified for Conpet S.A.

Table no. 3. Centralizer of significant transactions reported by Conpet SA

Current reports IRIS				Financial statements (explanatory notes) and the administrator's report		
Affiliated party	No. and date of contract	Contract object	Contract value	Total trans. value	Annual value	Year
CFR MARFA S.A.	102/30.03.2015	Rail transport of crude oil and rich gas from loading ramps to destinations set by Conpet	225,128,496	227,626,461		
					73,016,731	2019
					64,925,236	2018
					66,960,497	2017
				22,723,997	Previous period	

Source: Authors' processing, 2021

From the analysis of the reports of significant transactions at CONPET S.A. it was found that there is a correlation between the amounts declared and the explanatory notes to the audited annual financial

statements, as well as with the annual report of the administrator.

Table no. 4 presents the information summarized for the company ROMGAZ S.A.

Table no. 4. Centralizer of significant transactions reported by ROMGAZ SA			
Contracting / affiliated party	Object of the contract	Estimated value of the legal act without VAT	Year
- Filiala de Înmagazinare Gaze Naturale Depogaz Ploiești S.R.L.	Sale-purchase natural gas on competitive market	442,723,808	2019
		6,064,865	2018
		211,832,004	2017
S.N.T.G.N. Transgaz S.A.	Provision of monthly transport services related to the entry points in the NTS	641,233,810	2019
		273,828,829	2018
		343,993,306	2017
Electrocentrale Constanța S.A.	Sale-purchase natural gas on competitive market	259,051,351	2019
		57,472,382	2018
		117,295,616	2017
S.C. ELECTROCENTRALE GALATI S.A.	Sale-purchase natural gas on competitive market	141,776,108	2019
		79,439,868	2018
		208,399,587	2017
S.C. C.E.T. GOVORA S.A.	Sale-purchase natural gas on competitive market	63,624,363	2019
		119,556,463	2018
		-	2017
Termo Calor Confort S.A.	Sale-purchase natural gas on competitive market	30,178,915	2019
		53,370,790	2018
		33,645,712	2017
Termoficare Oradea S.A.	Sale-purchase natural gas on competitive market (01.03.2019-31.03.2019)	165,290,440	2019
		234,838,052	2018
		317,048,806	2017
SOCIETATEA COMPLEX ENERGETIC HUNEDOARA S.A.	Sale-purchase natural gas intended for PET consumption and non-household consumption	53,218,355	2019
		61,794,372	2018
		22,016,531	2017
MODERN CALOR S.A.	Sale-purchase natural gas intended for PET consumption and non-household consumption	22,494,899	2019
		2,308,429,070	2018
		-	2017
Company ELECTROCENTRALE BUCUREȘTI S.A.	Sale-purchase natural gas intended for non-household consumption	30,739,518	2019
		-	2018
		-	2017
S.C. OLTCHIM S.A.	Sale-purchase natural gas on competitive market	7,508	2019
		71,121,740	2018
		24,638,439	2017
S.C. CENTRALA ELECTRICA DE TERMOFICARE ARAD S.A.	Sale and purchase of natural gas for the production of thermal energy in cogeneration plants and thermal power plants intended for public consumption	25,554,285	2019
		-	2018
		-	2017
C.N.T.E.E. TRANSELECTRICA S.A.	Sale of electricity	-	2019
		10,582,851	2018
		-	2017

Source: Authors' processing, 2021

During the analyzed period, 159 reports published on the IRIS BVB platform were extracted and centralized,

but no correlation could be identified between the published reports and the explanatory notes to the

audited annual financial statements. In Note 23 - *Transactions and balances with affiliated entities* (i) within the audited financial statements, transactions with other companies controlled by the Romanian state are not considered, from the financial statements point of view, transactions with affiliated entities. The company also defined this exception in the Policies for related party transactions, in Chapter 5 of the document. Prior to the revision of IAS 24 in 2003, state-controlled entities were exempted from disclosing related parties. This derogation was removed in the 2003 revision, which entered into force in 2005 and continues to be in force today. According to IAS 24, the purpose of related party reporting is "to ensure that an entity's financial statement

contains the information necessary to draw attention to the possibility that its financial positions and profit or loss may have been affected by the existence of related parties and outstanding transactions and balances, including commitments, with such parties". In our opinion, all companies, regardless of the share of state capital in the share capital, are obliged to disclose related parties and the transactions that take place with them and are also obliged to update their policies on related party transactions accordingly under current legal regulations.

Table no. 5 includes the transactions with the affiliated parties reported by the company NUCLEARELECTRICA.

Table no. 5. Centralizer of significant transactions reported by NUCLEARELECTRICA			
IRIS reports			
The contracting party	The subject of the reports	Estimated value of the legal act without VAT	Year
National Administration of Romanian Waters	Receiving wastewater in the resource from the Nuclear Power Plant 2020	71,474,385	2019
			2018
		14,403,516	2017
National Administration of state reserves and special problems	Heavy water needed to complete the reserve	15,564,733	2019
		10,316,132	2018
		5,845	2017
National Administration of Romanian Waters (Dobrogea Seashore Water Basin Administration)	Receiving wastewater in the resource from the Nuclear Power Plant	7,012,751	2019
		65,366,040	2018
		73,203,936	2017
National Weather Administration – Dobrogea Regional Centre	Forecast / Diagnosis / Weather Warning Services	-	2019
		905,376	2018
		-	2017
Association: Pegas Impex and Public Utilities Cernavoda	Refurbishment works of the main section of the primary heating agent on Anghel Saligny Street, Cernavoda	2,232,688	2019
		-	2018
		-	2017
CNTEE Transelectrica	Wholesale energy sales	-	2019
		32,512,985	2018
		24,777,507	2017
National Uranium Company (CNU)	Processing of non-compliant nuclear materials	573,996,807	2018
	Storage of Radioactive Solid Waste	289,400	2017
	Natural uranium in powder form	147,990,700	2019
National Company for the administration of navigable canals	Right of use - Warehouse Equipment	1,673,929	2019
	Dredging works - Water transit	10,925,077	2018
	Rent Cernavoda Warehouse	326,311	2017
Research-Development Institute for Earth Physics ("INCDFP")	Seismic engineering services, Cernavoda	-	2019
		467,640	2018
		-	2017

IRIS reports			
The contracting party	The subject of the reports	Estimated value of the legal act without VAT	Year
ISCIR State Inspection for the Control of Boilers, Pressurized Recipients and Lifting Installations	Technical verification services	-	2019
		100,000	2018
		150,000	2017
Kinetrics Nuclear Romania	Complete design activities at Cernavoda NPP	35,991,581	2019
		-	2018
		-	2017
(RATEN ICN) – National Authority for Nuclear Technologies – The Institute for Nuclear Research Pitesti	Treatment of radioactive waters from the activity of FCN Pitesti	5,019,203	2019
	Measurements of C-14 and SR-90	14,509,978	2018
	Radioactive waste treatment services	3,135,208	2017
SDEE Energy Distribution Company Transilvania Sud.	Wholesale energy sales	12,868,560	2019
		46,374,401	2018
		-	2017
SDEE Energy Distribution Company Muntenia Nord	Wholesale energy sales	63,200,880	2019
Electrica Furnizare S.A.	Wholesale energy sales	117,951,715	2019
		185,410,063	2018
		339,812,306	2017

Source: Authors' processing, 2021

From the analysis of the 214 reports published on the IRIS BVB platform by Nuclearelectrica S.A. it was found that there are reports prepared by the company according to the provisions of Law 24/2017 and Regulation 5/2018. The reported transactions included in the current reports have been prepared by the company's management to report to ASF, the

auditor in the half-yearly reports certifies the current reports, but the amounts reported cannot be correlated with those stated in the explanatory notes to the audited annual financial statements and the administrator's reports.

Table no. 6 contains the transactions with related parties reported by TRANSELECTRICA.

Table no. 6. Centralizer of significant transactions reported by TRANSELECTRICA			
The contracting party	The subject of the reports	Estimated value of the legal act without VAT	Year
SC SMART SA	Strategic services / works in installations	43,879,780	2019
		-	2018
		50,901,078	2017
S.N. NUCLEARELECTRICA SA	Sale-purchase of electricity	-	2019
		-	2018
		55,958,782	2017
SC TELETRANS SA	Maintenance and operation services of telecommunications systems, process and information technology;	110,692	2019
		-	2018
		28,164,402	2017

The contracting party	The subject of the reports	Estimated value of the legal act without VAT	Year
SC SMART SA through Pitești Branch	Integration of 110kV measuring cells and 220kV switches in the online monitoring system of Grădiște Station	-	2019
		-	2018
		319,988	2017
SC SMART SA through Pitești Branch	Station Grădiște-Revitalizare isolation	-	2019
		-	2018
		497,100	2017
Hidroelectrica SA	Purchase of electricity	-	2019
		-	2018
		2,118,417	2017
Company Complexul Energetic Oltenia SA	Sale-purchase natural gas intended for PET consumption and non-household consumption	-	2019
		-	2018
		51,986,600	2017
Company for Maintenance Services of the Electric Transmission Network "SMART" SA	Strategic services/works	-	2019
		-	2018
		227,419,041	2017
SC SMART SA - Craiova Branch	RC LEA 400 kV Tantareni-Turceni G1+2, G3+4	-	2019
		1,236,899	2018
		2,498	2017
National Society for natural gas "Romgaz" SA	Purchase of electricity	-	2019
		-	2018
		8,893,152	2017
SC SMART SA – Constanța Branch	Execution of works for Modernization of teleprotection system, telecommunications in Cernavoda station	-	2019
		1,236,899	2018
		-	2017

Source: Authors' processing, 2021

At Transelectrica, 32 current published reports were extracted and centralized, all complying with audit requirements, but no correlation could be identified between the published reports and the explanatory notes to the audited annual financial statements and

no correlation between current reports and those referred to by the auditor in the independent limited liability report.

Table no. 7 includes transactions with related parties reported by TRANSGAZ.

Table no. 7. Centralizer of significant transactions reported by TRANSGAZ			
IRIS Reports			
The affiliated party	The subject of the reports	Contract value	Year
Transgaz, Ploiesti Branch		-	2019
		-	2018
	Provision of underground natural gas storage services	7,212,860	2017
E.ON Energie România SA		-	2019
		-	2018
	Natural gas -Consumption	81,338,400	2017
S.N.G.N. Romgaz S.A	Natural gas from Underground Storage Depots: Provision of monthly transport services related to the entry points in the NTS	316,011,983	2019
		236,316,781	2018
		100,381,572	2017

IRIS Reports			
The affiliated party	The subject of the reports	Contract value	Year
Complexul energetic Hunedoara SA	Ctr. n3. 51T/26.08.2019	565,771	2019
	Provision of annual transport services related to the exit points from the NTS	2,414,074	2018
	provision of transport services	2,672,651	2017
Electrocentrale Bucuresti S.A.	Provision of annual transport services related to exit points in the NTS	74,906,797	2019
		85,407,014	2018
		82,402,238	2017
CEC Bank S.A.		-	2019
		-	2018
	Services for recording amounts representing indemnities and compensations available to entitled persons	362,191	2017
Vestmoldtransgaz S.R.L.	Support services for the creation and continuous operation of the procurement commissions of Vestmoldtransgaz S.R.L.	948,777	2019
		-	2018
		-	2017
Electrocentrale Constanta S.A.	Provision of annual transport services related to the exit points from the NTS	7,332,374	2019
		2,364,611	2018
		-	2017

Source: Authors' processing, 2021

During the analyzed period, 62 current reports published by Transgaz were extracted and centralized. The company complies with the legislative requirements and the ASF norms but no correlation could be identified between the published reports and the explanatory notes of the audited annual financial statements. In the tables presented, the transactions identified in the current published reports were centralized in value in order to identify the nature and parts of the transactions, as well as to correlate them with the information presented in the explanatory notes.

Unfortunately, it was not possible to identify the correlations between the amounts included in the current transaction reports and the amounts presented in the explanatory notes to the financial statements because the current reports mentioned the value of the contracts concluded, which can run for more than one year. and in the financial statements was strictly presented the information related to the reference financial year.

Due to the specifics of the activity of the 5 companies in the field of energy and the flow of energy from producer to consumer, there were reciprocal relationships between them, as shown in **Table no. 8**.

Table no. 8. The matrix of mutual relations between companies					
Symbol	COTE	SNG	SNN	TEL	TGN
COTE	-				
SNG	No	-			
SNN	No	No	-		
TEL	No	Yes	Yes	-	
TGN	No	Yes			-

Source: Authors' processing, 2021

Table no. 8 shows that Conpet SA is the only company that did not have relations with the other four. Thus, Romgaz as a gas producer concluded contracts with Transgaz and Transelectrica. Nuclearelectrica as an energy producer has concluded contracts for its transport with Transelectrica. The comparison of the reported information found differences between mutual reporting due to different company policies or delayed reporting which leads to the amounts in the tables presented not being identical for the same period.

Following the analysis, we found that the reporting requirements do not fully achieve their purpose of bringing transparency in the disclosure of significant transactions with related parties because there is no mechanism to control and identify potential transactions not reported by companies, through negligence, error or intentionally, when publishing annual reports. There is no certainty that the half-yearly reports are accurate, complete and transparent because they are based on data provided and verified exclusively by the entity's audit and internal control department. Thus, only from the annual financial statements it would be possible to identify all the transactions with the affiliated parties presented according to the policies of each company, a situation that can create confusion and mislead the users of the information.

Conclusions

In one of the first studies of Beasley et al. (1999) there were over 10 situations reported in which related party transactions were not properly disclosed. The authors demonstrated that, although the auditors had the necessary knowledge of the disclosures of the missing affiliates based on their documentation, they did not challenge the company's disclosure and did not request an extension of the company's disclosure.

A first conclusion that we can draw from this study according to the auditors' statements is that the half-yearly report introduced as mandatory by art. 923 of Law 24/2017 amended by Law 158/2020 refers strictly to what the company disclosed, but no specific procedures were performed to verify the current reports and the sources from which the reports were extracted.

It also does not mention the procedures for verifying contracts concluded with the directors, employees or shareholders who hold the respective control with the affiliated entities which, according to the legislation, must

be reported. The study revealed discrepancies in the reports published by the analyzed companies, which led to the impossibility of making correlations between current reports and annual reports. In order to increase corporate transparency, raising the accountability requires a broader shift in attitudes towards reporting based on a balance of financial and non-financial information. The latter should be as credible and reliable as the financial data. At the same time, in order to increase the trust of the users of the financial statements, it is necessary to modify not only the methodology and procedural practices but also changes the mentality of the organization. Although the legislation has supplemented the requirements for reporting of significant transactions and required companies to be audited to ensure the transparency of reporting and the accuracy of information presented, the purpose is not achieved, the audit is only used to inform the company's management and not to disclose significant transactions. We believe that these shortcomings may be due to the subjectivity with which the legislation is understood and transposed in the current procedures and last but not least it may be due to an immature market at the beginning of the road that has not yet lived its own experiences.

Naturally, companies are required to implement a by-law that sets out the responsibilities of the board and the key functions held by management and most members must have proven that they are adequately qualified for the responsibilities they have. It is also recommended to implement an internal process and policies for defining, applying, properly managing transactions with related parties and a method of verifying the knowledge of legal rules and reporting procedures by those involved and ensuring increased accountability in the process. Benchmarking is often mentioned in the international literature, as "best practices" cannot simply be taken over and implemented "surgically" in one's own organization (Boxwell, 1994), but more attention must be paid to how they are implemented, to the predominant culture, to the human resource necessary to be able to adapt a process. This is a major challenge of the benchmarking methodology, i.e., adapting the process from the top companies to their own organization (Bhutta and Huq, 1999). In the process of comparing best practices, management identifies the best firms in their industry or in another industry where there are similar processes and compares the results and processes of those studied ("targets") with their own results and processes.

The study performed on the selected companies revealed that the level of compliance of the reports is increasing during the analyzed period, but it could not be established if they are complete. The reporting method and the content of the reports differ from one company to another, this is largely due to the lack of mature legislation in the field to determine the exact way in which these reports should be made and the elements they should contain. Internationally, experts tend to suggest as a good option, the "benchmarking" method which involves, among other things, the creation of a standard to comply with all companies in the field of

applicability for this type of reporting and to define the optimal version of the documentation to be presented.

The limitations of the research consist in the small number of companies included in the sample, as well as in the fact that the data were collected manually, with the risk that some information was not taken into account. In future research, the analyzed sample will be extended, as well as the nature of the transactions, by including those related to the reporting of loans between related parties. The study will also include other variables that lead to the creation of an econometric model on the factors that may influence the reporting of transactions with related parties.

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