



**“LUCIAN BLAGA” UNIVERSITY OF SIBIU
FACULTY OF ECONOMIC SCIENCES**

THESIS SUMMARY

**THE IMPACT OF PUBLIC AUDIT ACTIVITY ON
FORMATION AND UTILIZATION OF THE PUBLIC
RESOURCES**

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Key words: public audit, audit objectives, types of audit, auditing standards, performance of Supreme Audit Institutions, financial impact of audits, public funds, the concept of added value, Kruskal Wallis test, standard of living

The starting point of any scientific approach is represented by understanding the starting point of the research and acceptance and awareness that results of scientific research may or may not have the expected results. Considering this fact we are aware of the difficulty of the chosen topic and fact that it will cause some controversy, but this represents a challenge and a great responsibility regarding the value that will contribute to the scientific basis already created for those who treated the subject so controversial of public audit impact.

The state's role in the economy of each country is in a permanent change, depending on economic and social development both in the country and also at mondial level.

Economic life suffers imperfections that may cause some negative states, such as unemployment, fiscal inequities generators of social inequalities, extreme richness and poverty etc. In all modern economies the state intervenes to correct the malfunctions occurred.

In this context the need to create independent and professional structures to monitor public money, the most important factor of prosperity and progress, takes shape.

Starting from the premise that any resource is limited, budgetary funds allocated to public entities are not so comfortable as to allow unrestricted spending. This leads to the necessity of sustained efforts to find the most appropriate and efficient methods of available resources utilization.

A fundamental contribution in protecting financial resources, in promoting responsibility of the entities involved in the formation and utilization of public funds and in orientation at performance, is assigned to the public audit.

The audit, in all forms of existing manifestation, is a series of processes and mechanisms designed to ensure that planning, budget execution, use of resources, etc. are

comply with the country's laws, pursue the objectives defined by Parliament and government and are linked to the real world operations of approved programs.

Besides the objective of verifying the fulfilment of the regularity and legality requirements, the audit formulates qualified opinions on the financial standing of the audited entity and recommendations for improving its activity, bringing an essential contribution to protecting financial resources, promoting responsibility of the entities involved in the establishment, utilization and management of financial resources, in strengthening and developing public and private patrimony of the state, in respecting the economy principles, efficiency and effectiveness in using public funds.

In the context of these general considerations, the aim of the thesis was approaching the issue regarding the impact of public audit on the formation and utilization of public resources. This study is a complex demarche, and also difficult because in the literature of our country we could not identify a rigorous treatment of the topic.

Appealing to the literature review dedicated to the public audit, we identify the work of specialists such as N.A.H. Stacey (1954), Littleton A. (1981) and R. Brown (1968) which were dedicated to the study audit.

Several authors show that in the absence of financial information certified by the auditors, the cost capitals should be substantially increased due to existing risks, which would automatically reflect in falling living standards in general (Wallman, 1995).

At the same time researchers in this field shows that auditors responsibility regarding the fraud detection and error represents one of the most controversial issues in the audit, and a widely debated topic in the media¹.

On the other side the European Commission initiated an extensive process of consultation between the Member States of the European Union regarding the role of financial audit in the current economic climate, auditors independence, the relevance of the information provided in the audit report, the audit market concentration from inside big firms audit (Big Four) or problems related to corporate governance. There are studies that support the necessity of a financial audit and its regulations by professional bodies, given the protection of users on the capital markets.

Regarding the term "audit expectation gap" or "expectation gap", there are studies that support the necessity to educate the public about the limitations of the financial audit². In

¹Gay, G., Schelluch, P. & Reid, I. -Users' perceptions of the auditing responsibilities for the prevention, detection and reporting of fraud, other illegal acts and error. Australian Accounting Review. 7(1):51-61, 1997

Romania, lately, with the growth of the economic crisis have appeared several articles and studies in specialized journals, stressing the importance of auditors work and relevance of their work to the public. We mention some of these: "Explorareastatistica a pietei de audit avândcascopapreciereaauditorului", Jaba, Robu, 2011 and refers to the relationship and direct effect, that it has the auditor's independence on the audit company's financial performance; "Auditoriifinanciarisiguvernareacorporativa sub impactulcrizeifinanciare", Dobroțeanu et al. 2011, that treats the role of external audit and of corporate governance in ensuring the credibility of the company's audit report; "Dinamicapercepțiilorprivindauditul extern sub impactulcrizeifinanciare" Dobroțeanu et al. 2011, an empirical study about perception degradation of a student's group on "gap between expectation and audit " before and after the beginning of financial crisis. The majority of economic decisions are based on financial and non-financial information. But as the decider, to have information at the right time is not everything. This information must contain a number of elements which gives the user a higher degree of confidence on their quality.

The assumptions from which we started our research are:

- public audit has a fundamental contribution in protecting financial resources, in promoting responsibility corporate entities involved in the formation and utilization of public funds and in orientation to performance ;
- the base object of public audit activity is represented by training and use of public funds. True reality, according to which public resources materializes a considerable part of GDP constitute a reason that sustain the exercise of public audit on the public financial resources, maintaining the integrity and good management of public funds;
- public audit is the promoter of added value through the economies and the efficiency that generates in the use of public funds;
- there are no significant differences of views between external public auditors, internal public auditors and the managers of public entities regarding the contribution of internal public audit in increasing the responsibility of the entities involved in the formation and utilization of public funds, but also in terms of collaboration between internal and external public audit;

²Porter - *Auditors' responsibilities with respect to corporate fraud: a controversial issue*, in Sherer, M. and Turley, S. (Eds), 3rd ed., Current Issues in Auditing, Paul Chapman Publishing. London, Ch. 2:31-54, 1997

- both external public auditors and internal public auditors and not least the decision makers of public entities understand the role, place and necessity of public audit in institutions;
- the public audit exercised by European Union countries could represent a model for the public audit exercised in Romania and could increase its impact;
- the entire economic activity must be subordinated to a single desiderata, namely that of creating better conditions for satisfy the concrete needs of the population, therefore there could be a strong relationship between the public audit and standard of living of population.

Personal contributions are presented as conclusions, proposals, recommendations, processing of data and analysis presented in this paper and summarized at the conclusions of each main chapter. Thesis, also presents case studies based on statistical modelling and comparative method, and also on mathematical modelling meant to determining the existence of correlation between the different variables studied and to verify the assumptions from that the scientific research started. The added value of the research, consist also from comparisons with other European Union member states, as well as analysis of the Court's findings impact at the development regions level, the conclusions that can be drawn from these results being processed and analysed. These contributions represent a wish to increase the impact of public audit on the formation and utilization of public resources.

The objectives of the research topic exposed in the present paper are directed towards:

- the highlighting of the context in which it appears and is developed the public audit;
- identifying the main categories of public entities seen as subject of public audit activity;
- the basic subject presentation of the public audit activity, namely the formation and utilization of public funds;
- boundaries of internal public audit to other verification forms of management;
- emphasizing the supreme role of the public audit by adding value and presenting the way how value addition could be quantified;
- demonstration with using econometric model Kruskal Wallis that there are no significant differences of opinion between external and internal public auditors and between managers of public entities regarding the contribution of public

internal audit in increasing the responsibility of the entities involved in the formation and utilization of public funds;

- identifying the opportunities for increasing efficiency of public audit through internal and external public audit collaboration;
- presentation of Supreme Audit Institutions of the European Union and of the auditing standards as a model for Romanian standards;
- a comparative study regarding the role and the impact of public audit on public funds of the National Audit Office of Great Britain (NAO) and of the Court of Accounts;
- identifying a correlation between GDP per capita and public audit results exercised by the Court of Accounts at the eight regions of the country and process modelling using SPSS software;

The objectives of the named above reflect the fact that present work is a complex research based on an element of maximum actuality.

To achieve the formulated objectives, the study was based on certain scientific research methods. The main purpose of the methodology is to make us understand, in broad terms, not so much the science products, as the knowledge itself. Thus, for achieving its function, scientific research methodology includes defining the domain of study, setting tool for collecting and interpreting data, rules and principles for conducting investigations and strategies construction or reconstruction theoretical.

Scientific research methodology used in this study combines quantitative and qualitative research in order to improve achievement of targeted goals. Other research methods used were: the review of the literature, which focuses the research work on documenting the relevant literature and precise identification of the current state of knowledge of the needs and tendencies of future research, document analysis by following the bibliography, conducting comparative studies, analysis of reports issued by various professional bodies. But however important theoretical research would be, we consider that is not enough in the current economic climate. Today more than ever it is necessary be closer to the economic reality, so another research direction towards which we focused is the empirical research based on questionnaires and mathematical and statistical methods.

Our research included the following:

- study of bibliographic references;
- specific normative documents;

- analyses and studies in the area, reports of certain professional bodies;
- articles and books;
- development of charts and graphs to highlight the best research results;
- mathematical and statistical models and methods;

The PhD thesis was structured and elaborated starting from a coherent and unitary approach in four chapters:

The first chapter entitled "Theoretical and practical coordinates on the framework for the public audit activity and their role in formation and utilization of budgetary resources " includes treating of the following essential aspects: theoretical approaches to public audit; main categories of public bodies subjected to public audit activity; formation and utilization of public entities funds, considered as an object of public audit activity.

After studying specialized literature was presented the evolution and the necessity of public audit, were identified several types of audit, which grouped according to several criteria, are considered revealing.

The main categories of entities in the public sector in Romania and their particularities were identified, namely: public authorities, public institutions, autonomous administrations, companies with majority state ownership.

Public entities that provide goods and services to satisfy the needs of society, are viewed as the subject of public audit activity. The establishment of public entities in order to achieve specific objectives, through which certain social requirements are satisfied, derived from duties and functions which belong to the state.

The public audit serves both the interests of the state and other stakeholders interested in achieving financial and taxation policies, and also the leadership of public entities by preventing dysfunctions that may occur in the management of resources. The public interest consists in obtaining the reasonable assurance that the public funds entrusted to persons who have been designated to administer, have been used legal and effective. With the help of public audit can enter into the essence of phenomena, and economic and financial activities can be optimized for development and performance.

The basic object of the audit conducted at the level of public entities is represented by the formation and utilization of their funds. The most solid argument, pleading for the exercise of audit on the formation and utilization of public resources, for their continuous tracing and verifying, is represented by the fact that public entities controls an impressive amount of public money.

The second chapter entitled „Internal public audit, complement of the external public audit - possibility of administering resources efficiently" presents primarily the contribution of internal audit in responsabilization of public entities in the management of public funds at their disposal.

From bibliographic material studied, we could conclude that public internal audit is an independent and objective activity carried out within public entities, with role of insurance and advisory to management on the good management of public revenues and expenditures in order to improve the entity's activities.

Regarding the content of internal public audit, we focused on delineating the internal audit over other verification forms of entities management, respectively the management control, inspection and internal control, identifying similarities and differences between them.

Supreme role of internal audit is to add value to the entity, which is why we wanted to capture the main methods for measuring the performance achieved, to demonstrate that it do a good job, respectively adds value to the entity. The value that internal audit function adds to entity requires concrete modalities, criteria for its measurement. The existence of performance indicators allows work examination of internal auditors and is an important factor for the success of the entity. A generally accepted definition of the added value does not exist, there are significant differences concerning value added from one entity to another. (Roth.J., 2002) says that some practitioners internal auditors believe that can talk about added value only when internal audit helps management to improve business, unlike in the case of compliance audits, which only verifies compliance with certain policies and procedures, while for other specialists is available exactly the opposite case.

As a continuation of our research we conducted an empirical research based on questionnaires in which we analysed, using the econometric model Kruskal - Wallis, the fact that there are no significant differences of views between external public auditors, internal public auditors and the managers of public entities regarding the contribution of internal public audit in increasing the responsibility of the entities involved in the formation and utilization of public funds, but also in terms of collaboration between internal and external public audit.

In order to establish statistical population was made a serious documentary work. Thus were established the three directly interested groups for role and contribution of public audit in managing public funds, which it is addressed the questionnaire - external public auditors, internal public auditors and public leaders of public entities in Romania.

Depending on the characteristics of the statistical population we established the sample composition for each of the three groups, so that results can be extrapolated to the whole group and have national relevance.

Kruskal Wallis test is one of the most powerful and used nonparametric tests when we have to compare more than two independent groups.

For data analysis, they were transformed into **tiers**. The test was used to evaluate whether differences are significant at the level of rank. The calculations were performed for each statement of the questionnaire.

Thus, according to the results achieved by the Kruskal Wallis of a total of 13 questions in the questionnaire which referred to the internal audit contribution in increasing the responsibility of the entities involved in formation and utilization of public funds, for 4 of them resulted significant differences of opinions for a significance level of 5%.

In the last part of this chapter I treated some key aspects regarding the necessity and benefits of collaboration between external and internal public audit, and ways of cooperation in achieving complementarity of internal and external audit activity.

The next two chapters were reserved for external public audit of the formation and utilization of public funds.

From the desire to emphasize on the one hand the impact of external public audit on the formation and use of public resources, and secondly, to identify best practices that could be used by the Court of Accounts in order to improve activity, in the third chapter of the thesis entitled "European experience - the landmark of growth impact of public audit on the formation and utilization of public funds in Romania " were discussed the following issues:

- the concept of audit at European and national level;
- external audit exercised by the Supreme Audit Institutions (SAI) from EU countries as a model for the organization and functioning of public audit in Romania;
- realization of a comparative study on the impact of public audit the formation and use of public resources in the UK and Romania.

After studying specialized literature we could conclude that the public external audit represents an independent activity, carried out by specialized bodies from outside the audited entity, having as purpose the analysing and evaluating the accomplishment of the objectives of the entity's activity, verifying the legality and regularity of constitution and the use of

resources public finance, their economic, efficiently and effectively utilization, the organization and functioning of control systems, and the effectiveness of internal audit.

The reality from all countries shows that the most credible attestation of financial reports, from the public sector, belong to state institutions, known under the generic name of Supreme Audit Institutions (SAI) established under the constitutional provisions or with laws of organization and functioning, that guarantees their independence.

The main purpose of Supreme Audit Institutions consists of examining, reporting and expressing pertinent opinions relating to the good administration of public funds. In addition some institutions are empowered with examination of economy, efficiency and effectiveness with which public funds are used.

Documentary research has allowed us to notice that in order to promote and develop best practices regarding external audit of formation and use of public funds, Supreme Audit Institutions have formed their own professional bodies, either international respectively International Organization of Supreme Audit Institutions (INTOSAI) or regional, such as for example the European Organisation of Supreme Audit Institutions (EUROSAI).

These organisms have developed their own audit standards, which develops and promotes into activity of Supreme Audit Institutions from each member country. Starting from the European Union recommendations regarding Romania's integration among Member States, the Court of Accounts has developed its own audit standards. These were based on INTOSAI and IFAC standards models and also were taken into account the European Guidelines for the implementation of INTOSAI standards and other international standards on auditing. Through these standards seeking to enforce the "best practices" of the audit in activity performed by auditors.

Also in this chapter we conducted a case study which focuses primarily to determine the measure in which International Standards on Auditing have been applied in the countries of the European Union.

For the achievement of the case study was proceeded to the use of non-participant observation as a research method and used as a source of information for the report Overview and comparison of public accounting and auditing practices in the 27 EU Member States, report drafted by Ernst & Young and published on December 19, 2012, to be used by Eurostat, the statistical body of the European Commission.

In continuation of our research and in order to identify best practices that could be used by the Court of Accounts for the activity improvement, we conducted a comparative

study on the impact of public audit on the formation and utilization of public resources in the UK and Romania.

The information available regarding how Supreme Audit Institutions report and demonstrate their own performance, are relatively reduced, but a preoccupation in this case appears to occur since the late 1990s, when researchers began to make comparative studies on performance auditing and public management within the European institutions. Thus, among the most important studies in this regard are those carried out by Pollitt and Summa, 1997³; Pollitt et al., 1999⁴; Pollitt, 2003⁵ by which were compared the role and impact of the National Audit Office of Great Britain, of Public Audit Office from Finland, of the Swedish National Audit Office, of the Dutch and French Court of Accounts.

The conclusions of these studies demonstrate that the activity of Supreme Audit Institutions had an impact on changing the behaviour and practices of audited entities, but also on political decisions, the legislature and the general public via the media, so we can affirm that for Supreme Audit Institutions has become a challenge to measure the impact of their activity both qualitatively and quantitatively. It is extremely difficult to measure the value that generates a Supreme Audit Institution on the activities and performance of public sector entities. Even on a smaller scale the impact of the recommendations made by Supreme Audit Institution auditors are hard to quantify.

From the examination of annual public reports of the two supreme audit institutions comparative have attracted our attention, not only the important contribution to protect the public budget, but also the impact of the recommendations on economic and social environment.

Starting from the subject of the utmost importance of the Supreme Audit Institutions role in terms of promoting and strengthening sustainable development and consequently enhancing the citizens life quality, which is based decisively on these, for transparency and increasing responsibility of government, in chapter four of this study entitled "scientific research concerning the link/bond between external public audit and living standard" our intention was to study the connection between audit exercised by the Court of Accounts of Romania and standard of living of the population of the eight development regions.

³Pollitt, C. and Summa, H., "*Reflexive watchdogs? How supreme audit institutions account for themselves*", Public Administration, Vol. 75, 1997, pp. 313-36

⁴Pollitt, C., Xavier, G., Lonsdale, J., Mul, R., Summa, H. and Waerness, M., *Performance Audit and Public Management in Five Countries*, Oxford University Press, Oxford, 1999.

⁵Pollitt, C., "*Performance audit in western Europe: trends and choices*", Critical Perspectives on Accounting, Vol. 14, 2003 pp. 157-70.

The economic crisis has demonstrated that only a state built on healthy bases can ensure social security of citizens and raising living standards. The important conditions for state building, in the service of citizens, are providing resources and managing them effectively.

In their capacity of monitoring tools, the Supreme Audit Institutions can ensure a public responsibility, thus creating preconditions for implementing sustainable development goals.

The logic of the relationship analysis between the results of public external audit by the Court of Accounts of Romania and standard of living of citizens, calculated using the GDP per capita, started from the premise that the low standard of living is one of the determining factors frauds with public money.

To verify this hypothesis we proceeded to the correlation the results obtained as a result of public external audit performed by the Court of Auditors by quantifying damages and additional revenues estimated during the period 2011 - 2014, with the registered value of the GDP per capita at the level of eight actual regions of development, using SPSS 17 statistical modelling program.

The research results conducted over the four chapters are presented as proposals, recommendations that have been checked and analysed through the questionnaire, the case study, comparative analysis and modelling statistical and mathematical various variables studied, and also their discussing and dissemination through participation with papers at numerous national and international conferences and publication of articles in magazines and journals in the field, quotes along the scientific paper. The synthesis of the theoretical aspects and research results was performed using the graphics, resulting a number of 21 tables and 20 figures and graphs.

The end of the doctoral thesis includes the fifth chapter entitled 'Summary of conclusions, opinions and directions subsequent research "which summarized the conclusions and research results identified during the elaboration of the thesis, with highlighting motivated of personal contributions that we tried to bring in light the impact improvement of internal audit and external on public resources in our country and not only , without pretending that they have been fully exhausted, and therefore resulting future research directions.

The finality of any demarche is represented by the moment when are evaluated the achieved goals and results obtained.

To provide a concise image, and at the same time complete, we will structure research findings in the 10 objectives assumed.



Highlighting the context in which public audit appeared and developed

• Lately, the audit concept was refined increasingly leading to the creation of a self-contained domain with its own objectives, and methods and techniques, although initially through audit can be achieved only an investigation of entities transactions. At the same time, as in any economic field, the different types of audits, their purpose, means and techniques used, are in a constantly evolving and adapting to changes in the existing environment, which involves continuous training of auditors.

• After studying specialized literature we could identify and classify types of audits by several criteria. In our opinion the most obvious criterion is on the organization of the activity, according to which public audit can be: own to public entities (internal); exercised outside of the entity (external).

• The usefulness of the audit is given by the impact of this activity in the performance of public entities. The public audit must be performed by analysing cause - effect - correction - prevention of activities audited. It should not be limited only to the finding of deficiencies, but is imperative need to focus on preventing negative states, in preventing imbalances and dysfunctions that may arise.



Identification of the main categories of public entities considered as subject to public audit activity

• Provision of goods and services required to satisfy the collective needs of society members is ensured through public entities. The establishment of public entities in order to achieve specific objectives through which are satisfied some social requirements, derived from duties and functions which belong to the state.

• The main categories of entities that we found in the public sector in Romania, and whose characteristics were presented in this chapter are:

- public authorities;
- public institutions;
- autonomous regies;
- companies with majority state ownership.

In specialized literature accent is put mainly on public institutions, which hold the largest share in the public entities total.

• The theoretical study and the work carried out in supreme audit institutions led us to the conclusion that the analysis and evaluation of various areas carried out by public entities is done through public audit, which in fact aims the formation and use of financial resources of

entities public, the management of public patrimony, the quality of financial management from point of view of its performance and compliance with regulations.



The presentation of the basic objective of public audit activity, namely the formation and utilization of public funds

- In establishing the basic object of public audit activity must start from the understanding of functions that public finances perform and through which they fulfil their social mission.

- **The object of the audit activity** consists of public financial funds and assets. The features of public finances represent a transfer of value and not changing the form of value, always takes monetary shape, suppose title non-refundable and absence of direct and immediate consideration and pursue the satisfaction of general interest and welfare of society.

- In our opinion, the basic subject of public audit is the formation and utilization of public financial resources. **Reality, according to which public resources materialize much of the gross domestic product, is a solid argument that pleads for the exercise of public audit on the public financial resources, maintaining the integrity and good management of public goods.**

- From the research conducted I have concluded that the public audit exercised over the general budget has a real impact on the budget deficit;

- External audit reports have revealed, overall an insufficient concern from public entities to ensure accuracy of data from the financial statements and for financial management governed by good economic and financial management. This confirms that the state public funds and assets are managed in a regime in which the performance of their use is not a priority criterion.



Delimitations of internal public audit compared to other forms of management verification

To eliminate confusion that still persists between internal audit and other internal management control forms of public entities and to customize the internal audit activity, we considered necessary to make delimitation between the objectives of these concepts.

- At the current stage, the level of public entities there is still some confusion among the budgetary credit ordinator and even those responsible for internal audit, and this is because it is considered the **internal audit as a verification operation, although in the current context where all entities, including public ones, are interested in performance, this activity is a good tool for work efficiency of the public entities.** By assurance services and

counselling regarding management of public funds, by evaluating the processes of risk management and internal control, **internal audit activity contributes to the accountability of public entities regarding the management of public funds and ultimately to an increase of financial management performance of public entities.** So the internal audit is not a goal in itself but a result of the need to improve the public entities activity and should be treated as such.

- Analysing the particularities of the internal audit activity compared to other forms of internal audit of the financial management of public entities, we found that in practice there is no a clear distinction between the tasks of internal audit and financial control management. A departure from the forbidden legislation, it seems that in some public entity management control is conducted by internal auditors, although one of the essential roles of internal audit is precisely the evaluation of internal control, and therefore of management control. This situation leads to improper realization of a subjective evaluation of the internal control with repercussions on the properly patrimonial management of public entities.



The highlighting the supreme role of public audit by adding value to the entity and presentation how the value added could be quantified

- The internal auditor is promoter of added value through the economies and efficiency that it generates in utilization of public funds, the opportunities they create through losses or negative states that can be avoided due to his actions, but also a factor that ensures transparency in the organization's activities and contribute to the effectiveness of its policies.

- The elements that add value to the entity through the prism of the audit activity are materialized in tracking the maintaining the integrity of the patrimony by identifying signs of fraud, damages and uneconomic expenses, the prevention of damage, identifying opportunities and economies, proposal and implementation of procedures and internal monitoring devices, in conjunction with the risk updating of the audited entities based on the most significant findings of the audit.

- We conclude that although there is a serious difficulty in terms of quantifying the added value created by internal audit and despite the diversity that characterizes the concept of added value, if the internal audit function really wants to expand its contribution, in essence, must to solve this challenge to measure the added value and demonstrate to the leadership entities that can create real value in all the activities they carry out.



The demonstration using Kruskal Wallis econometric model, that are no significant differences of opinion between the external and internal public auditors, and

between managers of public entities regarding internal public audit contribution in increasing the responsibility of the entities involved in the formation and utilization of public funds

In the current economic context empirical research is very necessary because it approaches the academic world of real economic problems.

In our research we started from the assumption that there are no significant differences of opinion between the external public auditors, the internal public auditors and the managers of public entities regarding the contribution of internal public audit in increasing the responsibility of the entities involved in the formation and utilization of public funds, but also in regarding collaboration between internal and external public audit.

After interpretation of the results using the econometric model Kruskal Wallis we have concluded that there are both significant and insignificant differences in terms of the contribution of internal public audit in increasing the responsibility of the entities involved in the formation and utilization of public funds, but also in terms of collaboration between internal and external public audit. From the total of 13 questions, four questions were significantly different for a significance level of 5%.

Detailed analysis of responses resulting from the questionnaire application revealed that:

- there are differences of opinion even inside of each group regarding the contribution of internal public audit in increasing the responsibility of the entities involved in the formation and utilization of public funds;+
- public entities managers and the managers of financial and accounting departments are more sceptical about the internal public audit contribution to increase the responsibility of the entities involved in the formation and utilization of public funds;
- external public auditors are the most aware of the crucial role of internal public audit in increasing the responsibility entities involved in the formation and utilization of public funds, and of the collaboration necessity between internal and external public audit , although currently provide little credibility to the Internal Audit report .



Identification of possibilities to increase public audit efficiency through collaboration between the external and internal public audit

- Starting from the reality that the common aim of internal and external public audit is improving financial and economic public entities, it is imperative to exist complementary relationships between the two activities.

But we cannot notice the fact that even now the issue of complementarity of the two activities can be found legally regulated, it is very brief, it is not indicated the concrete way of achieving collaboration between the two forms of audit in order to ensure complementarity of audit activity with positive effects for the formation and efficient spending of public funds. **It is necessary to improve the legal framework and more active involvement of the Court of Accounts in resolving the crucial issues to improve public audit activity.**

- In our opinion the collaboration between the structures that perform internal audit and those that perform external audit, involves a series of advantages for the two sides and for entities. Performing a qualitative audit requires the existence of adequate communication on both sides and contributes to strengthen relations of cooperation, and in time, obtaining mutual trust.

- We consider that effective public audit activity could be achieved by:
 - constant communication which can represent the key to success;
 - professionalism and respect for the audited entities;
 - the desire to share the findings;
 - effective collaboration, useful for both parties, but also for the audited entity;
 - communication and mutual exchange of information that will help to the better organization of activities and to the offering of high quality of work;
 - the necessity to increase mutual trust between the two audit structures;
 - the basic motto should be collaboration and communication.



Presentation of Supreme Audit Institutions of the European Union and of auditing standards as a model for Romanian standards

The reality from all countries shows that the most credible certification of financial reports of public sector belongs to the state institutions, known under the generic name of Supreme Audit Institutions (SAI) established under the constitutional provisions or laws of organization and operation, which guarantee their independence.

Documentary research allowed us to notice the fact that despite the diversity of organizational, all SAIs have a common quality, which is to be joined in international bodies (INTOSAI) and regional (EUROSAI) and that of conducting the public external audit activity according to some common standards and, under which each SAI develops its own standards.

The purpose of the international and European auditing organizations is to promote and develop best practices regarding external audit of the public funds of entities.

In order to define the principles and the most effective methods that can be applied in the audit of public funds made available to the entities have developed auditing standards, which represents the expression of a consensus on best practices, respectively Auditing Standards INTOSAI and European Directories Lines of INTOSAI standards application. **Starting from these standards and considering at the same time, and IFAC standards, the Romanian Court of Accounts has developed its own standards in 2005 that have been updated so far.**

- In attempting to improve the activity of the Romanian Court of Accounts, taking into account best practice, we conducted a radiography of audit standards applied by Supreme Audit Institutions from European Union

- To determine the measure in that the auditing standards are applied across the European Union member states we have conducted a case study. The research results have demonstrated that only some of the EU countries exercises its public audit in accordance with SAI or ISSAI, but most of them have their own standards elaborated based on these. Court of Accounts of Romania proceeded to harmonize their auditing standards with international auditing standards.



The realization of a comparative study regarding the role and impact of public audit on public funds of the National Audit Office of Great Britain (NAO) and of the Court of Accounts of Romania

The Supreme Audit Institutions are a key part of the institutional framework of democratic nations. They are designed to make more responsible the public entities in using public funds and for overall performance of the services they provide.

Trust and legitimacy are essential to the SAI functioning and is a key concern in the public value theory.

- Following the comparative study we could conclude that SAI use different approaches regarding the collection of information in order to be able to measure its performance and impact on public resources. These measures may be quantitative and qualitative methods and examine different aspects of the exercised audit of these institutions and its impact on the external environment. They may include assessment by Parliament, the SAI relationship with the media, financial economies, as results of the performed audit, the impact on policies and government practices, the received feedback of entities audited and their perception of the Supreme Audit Institutions activity.

- Regarding the impact assessment on public funds we find that in the Annual Report of the Court of Auditors is not explicitly specified, as in the Annual Report of the Audit Office of Great Britain, the relationship between the financial economies as results of the auditors work and the their cost. **We consider that the Court of Accounts of Romania should perform this study to evaluate its performance.**

- From the research we found that if we look **through the budgets dimension of the two countries**, namely Romania and the UK, we can affirm that the responsibility for public auditors of the National Audit Office of Great Britain is much higher than the public auditors of Romanian Court of Accounts regarding the assurance it provides, but certainly regarding the responsibility of auditors, not only audited budget dimension is irrelevant. But in terms of staff from the two Supreme Audit Institutions, Court of Accounts of Romania has more public auditors than National Audit Office of Great Britain. Here of course the question arises how they manage to do "more with less"?

To give an answer to this question must not remove from the economic, social and political context, these two institutions, and the fact that the two countries are not at a comparable level of development is very important and should not be missed the experience that National Audit Office of Great Britain has in the audit.

Thus, we conclude that the National Audit Office of Great Britain could represent an adequate benchmark the Court of Accounts of Romania especially in terms of quantifying the financial impact rigor on public assets.



Identifying a correlation between GDP per capita and external public audit results exercised by the Court of Accounts on the eight regions of the country's development and the process modelling using SPSS software.

Damages reduction issue notified by the Court of Accounts of Romania reports on public budgets / general consolidated budget constitutes a topical subject and a reality at that our country must find efficient solutions to stop or at least for reduce this phenomenon.

Analysis of the living standard is important because all economic activity must be subordinated to a single desiderate namely that of creating better conditions for the concrete needs of the population.

The hypothesis from which we started in the identification of these causes mentions the fact that the living standard or quality of life that characterizes the population that encourages or not a escapist behaviour that leads to the production of prejudices and the acts of fraud and corruption. To verify this hypothesis, we proceeded to establish the existence and

nature of the correlation between the values recorded by GDP per capita at regional level and the volume's prejudice/damages and additional revenues noted by the Court of Accounts, using mathematical modelling program SPSS.

The results obtained from data processing in SPSS concerning the correlation analysis of the two variables did not confirm our hypothesis, but not because it would not be true, but draws attention to the complexity of this phenomenon and the importance of addressing this issue in a broader context. The only region where the correlation coefficient result confirms our hypothesis, that when GDP per capita value decreases, there is an increasing trend of damages, is the central region.

The recommendations formulated by the Court of Accounts and the measures ordered by decisions issued by it for removing the deviations from the legal and normative provisions, the irregularities and deficiencies identified by public external auditors must consist for public authorities and public institutions of central and local administration, the instruments to improve the management of financial resources of the public sector, to increase the performance of their utilization and to bring added value in terms of financial management.

One issue that must be permanently in the view of public external audit must concern one of the most serious phenomena faced by Romania in the current stage, namely corruption. Corruption hijacks the society resources from their destination, affecting ensuring order and financial discipline, efficiency in public money utilization, with adverse consequences for public entities, but also for honest citizens. Identification of concrete forms in which corruption manifests, evaluation its size and controlling the phenomenon, involves public external audit which should focus its actions on protecting public funds. Adapting audit methodologies to the professionalism of offenders, expanding cross-border collaboration, alignment of external audit to international standards and best practice, must become a priority.

Further research proposals/ recommendations

The interest for the approached theme does not stop there, realized scientific approach bringing new perspectives for research in terms of increasing the impact and efficiency of public audit activity.

In order to implement a part of the recommendations in doctoral research paper, impact studies must be carried out based on relevant information provided by authorities with responsibilities in this regard.

One further directions where I will guide my future research will be the development of a mathematical model designed to quantify the impact of public audit on public finances at regional level which takes into account several variables such as territorial extent, the education level of public managers, the budget allocated to the region, the number of auditors conducting an audit and not least findings of their mission and accepted by audited entity.

Another direction in which I propose to orientmy future research will be to identify difficulties faced by public auditors and to determine the reticence reasons of public entities with regard to public audit.

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