

THE EVOLUTION OF THE ROMANIAN COURT OF ACCOUNTS' PERFORMANCE EVALUATION SYSTEM IN THE PERIOD 2014-2015

PhD. Candidate Iliodor Tiberiu, Pleșa¹
PhD. Ion, Stegăroiu²

Abstract

This paper aims to analyze the performance in terms of specific activity (control and audit) carried out by the supreme audit institution in Romania, the Court of Accounts. It also presents the relationship between auditees and the Court of Accounts in 2014, following the assessments made on the basis of questionnaires sent to the auditees after audits completion.

The paper also examines the evolution of the performance evaluation system of the Romanian Court of Accounts in the period 2014-2015, which seeks regular analysis of how audit and control activities are realized and distributed in order to identify strengths and weaknesses appearing in public external auditors' work and the solutions that may improve the institution's activity.

Finally, it presents the quality assurance and control activity regarding the specific activity of the Romanian Court of Accounts.

Keywords: control, audit, management, performance, supreme audit institution, public finances.

Jel Code: M10, M40.

1. Introduction

Theodore Poster defines performance as a "process of defining, monitoring and use of objective indicators that, regularly used, indicate the level of performance of an institution or program of government or nonprofit sector" (Theodore H. Poister, 2003, pag. 3).

"Performance management is an omnipresent term in today's business environment, being included in various disciplines and being used at all organizational levels" (Brudan, 2010).

However, there are differences between the performance understood in private area that, most often refers to economic indicators touched, respectively revenue or profit and the performance within the public system, which is more difficult to quantify.

The Romanian Court of Accounts is a public authority of constitutional rank, which aims is set out by article 140 par. (1) of the Romanian Constitution, which provides: "Art. 140 (1) The Court shall exercise the control over the formation, administration and use of the financial resources of state and public sector ... »", thus representing the supreme audit institution and control of the Romanian state.

The importance of this institution is vital for the proper functioning of a democratic state, member of the European Union.

A strong and independent Court of Accounts ensures a climate of stability, especially in conditions of economic crisis, as it was the case of the recent financial and economic crisis that started in 2008 and which affected all of Europe.

The importance of the Supreme Audit Institutions is recognized at the United Nations, being adopted at the 69th General Assembly a new resolution that clearly defines the necessary conditions for the effective functioning of these institutions in order to promote sustainable development of public administration internationally. It's about the UN resolution A/69/228 Promote and encourage efficiency, accountability and transparency of administration by strengthening supreme audit institutions (adopted in December 2014), which complements the UN Resolution A / 66/209 on the independence of Supreme Audit Institutions, adopted in 2011.

¹ The author is PhD. Candidate at "Valahia" University of Târgoviște, e-mail: tiberiu.plesa@gmail.com

² The co-author is PhD. at "Valahia" University of Târgoviște e-mail: tiberiu.plesa@gmail.com

The Romanian Court of Accounts is organized as a collegiate body, consisting of 18 counselors of accounts appointed by the Romanian Parliament for a term of 9 years, which cannot be extended or renewed. The executive management is ensured by the Court of Accounts' President and two Vice-Presidents.

The Court's staff is composed of specialized personnel (external public auditors, performing the Romanian Court of Accounts' specific activity of audit and control), public servants and contractual staff.

Together with the Romanian Court of Accounts is working the Audit Authority for external funds granted to Romania in the accession period, as well as the funds granted to Romania's post-accession, as a Member State of the European Union. The Audit Authority is headed by a president and two vice presidents, members of the Romanian Court of Accounts' Plenum.

In terms of organizational structure, the Romanian Court of Accounts includes a central structure (12 departments led by a counselor of accounts), 42 County Chambers of Accounts (which provide audit and control at the local level) and 8 regional audit offices (territorial structures of the Audit Authority).

The specific activity carried out by the Romanian Court of Accounts is represented by three types of audits under the Regulation on the organization and carrying out the specific activities of the Court of Accounts, and the documents resulting from these activities:

- "compliance audit (control): activity designed to verify and monitor whether the management of public and private patrimony of state and administrative-territorial units and also whether the execution of revenue and expenditure budgets of the controlled entity are consistent with the purpose, objectives and tasks set out in the regulations by which the entity was founded and whether it complies with the principles of legality, regularity, economy, efficiency and effectiveness;

- financial audit: activity which seeks whether the financial statements are complete, accurate and in compliance with laws and regulations and whether the governance of public and private patrimony of state and administrative-territorial units and the implementation of revenue and expenditure of the audited entity are in accordance with the purpose, objectives and tasks set out in regulations by which the entity was founded and the compliance with the principles of legality, regularity, economy, efficiency and effectiveness, while providing an opinion to this effect.

- performance audit: an independent evaluation of the way that an entity, program, project, process, activity or operation works in terms of economy, efficiency and effectiveness"(Regulation on the organization and carrying out the specific activities of the Court of Accounts, and the documents resulting from these activities, 2014, art.5, page 6).

2. Performance evaluation system of the Romanian Court of Accounts in 2014

In 2014, the Romanian Court of Accounts introduced experimentally the "Performance Evaluation System of the Court of Accounts", which seeks regular analysis of how control and audit activities are realized and distributed, in order to identify the strengths and weaknesses that appear in the activity of the specialized personnel (external public auditors) and to find solutions that can improve the Court of Accounts' performance and public financial management of the examined entities.

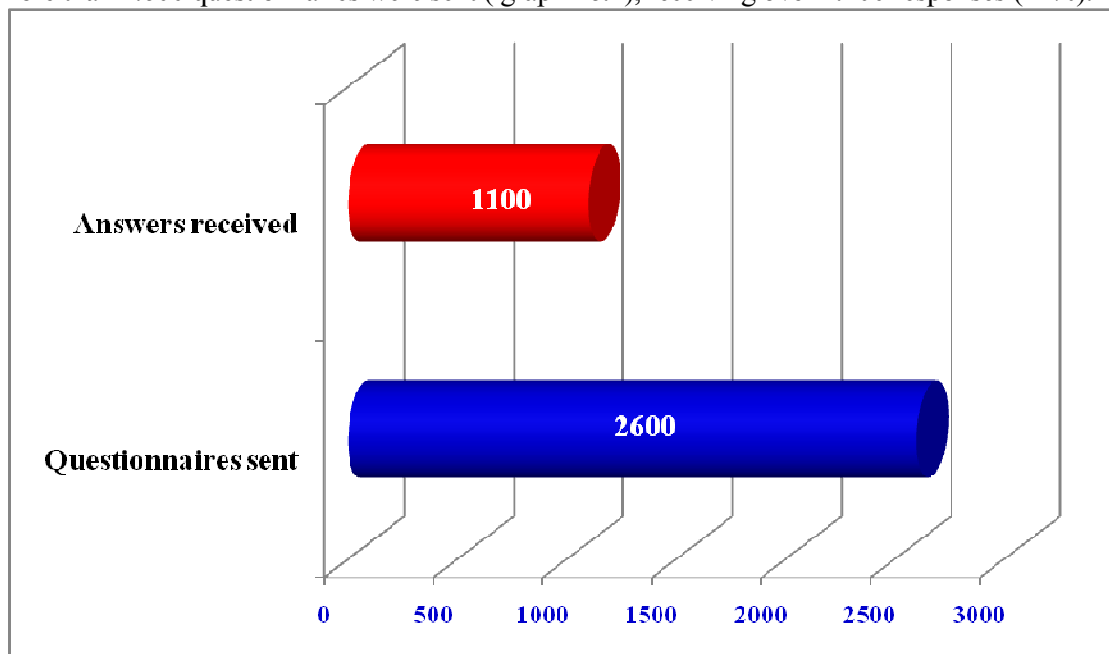
One of the most important indicator used is "Opinion of the examined entities' management on the quality of the audit performed by the Court of Accounts and its impact on the examined entities, as well as on the compliance by external public auditors with ethical principles and values" by which the Romanian Court of Accounts has implemented a provision of the ISSAI¹ 30 Standard – INTOSAI¹ Code of Ethics, according to which the

¹ ISSAI- International Standards of the Supreme Audit Institutions

Supreme Audit Institutions (including the Romanian Court of Accounts) should obtain information about the stakeholders' perception of the independence and impartiality of the external public auditors during audit and control.

The information are obtained through questionnaires that are sent electronically to all audited entities, after the completion of the audit and control actions. Subsequently, this information is used to express and measure this indicator.

According to the Romanian Court of Accounts' Annual Public Report for 2014, in 2014, more than 2.600 questionnaires were sent (graph no.1), receiving over 1.100 responses (41%).



Graph no. 1 - Difference between the questionnaires sent and responses received on the relationship between the entities audited and the Romanian Court of Accounts in 2014

Most entities who responded to those questionnaires (71%), assessed the relationship between them and the Court of Accounts as "very good", (graph no.2).

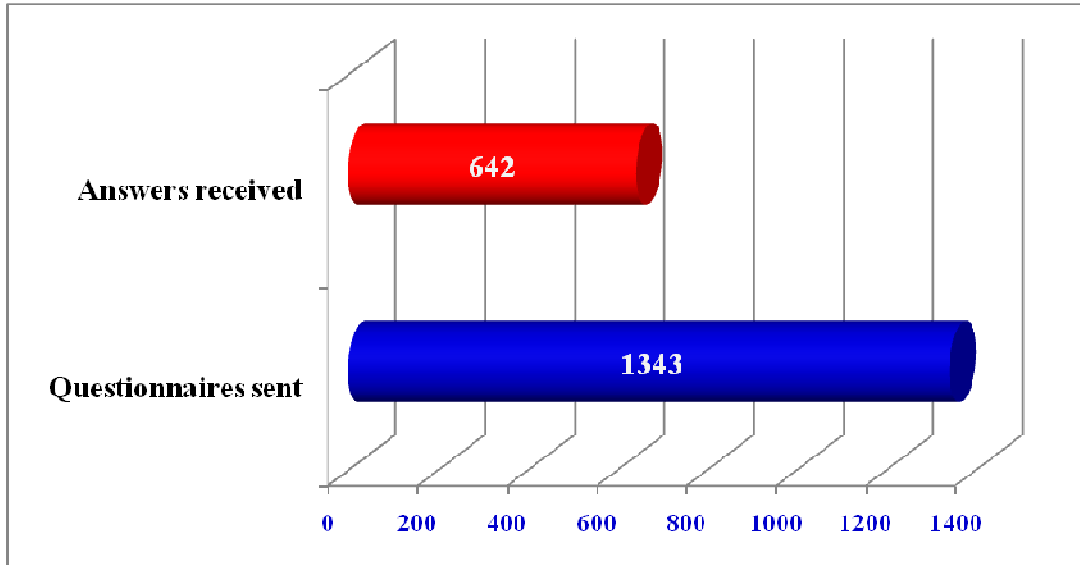


Graph no. 2 – The relationship between auditees and the Romanian Court of Accounts following the assessments based on questionnaires addressed to the auditees after completing the audits

¹ INTOSAI – International Organization of the Supreme Audit Institutions

3. Performance evaluation system of the Romanian Court of Accounts in 2015

Compared to 2014, in the first half of 2015 the Romanian Court of Accounts has sent over 1.343 questionnaires, being received over 642 responses, representing a 48% response rate (graph no.3).



Graph no. 3 - Difference between the questionnaires sent and responses received on the relationship between the entities audited and the Romanian Court of Accounts in 2015

Compared to 2014, when they were sent 2,600 questionnaires, in 2015 there were sent fewer questionnaires, respectively 1343.

The Ethics Committee has developed, based on the conclusions from the analysis of questionnaires, a quarterly report that was presented to the Romanian Court of Accounts Plenum. This Committee is a working structure subordinated to the Court Plenum, whose main tasks is monitoring ethics and integrity of the specialist staff, respectively external public auditors.

The Romanian Court of Accounts decided that the directors of the specialized structures must analyze and present to the external public auditors subordinated the issues identified through the questionnaires, including criticisms of auditees. All these aspects will be presented both in public external auditors monthly meetings and during training sessions.

4. Quality assurance and control in the specific activity of the Romanian Court of Accounts

Within the Romanian Court of Auditors, the activity of quality assurance is carried out in two stages: first, it is performed during the specific activities of the Court of Accounts, and in the second stage is carried out after the completion of specific activities, at the compartment assessing the specific activities of the Court of Accounts.

The evaluation of the activities' quality of control / audit carried out by the structures of the Romanian Court of Accounts is based on the provisions of section 452 of the "Regulation on the organization and activities specific to the Court, and the documents resulting from these activities" and paragraph 1.6 of the "Standard on quality assurance and control in auditing" from the Romanian Court of Accounts' Audit Standards.

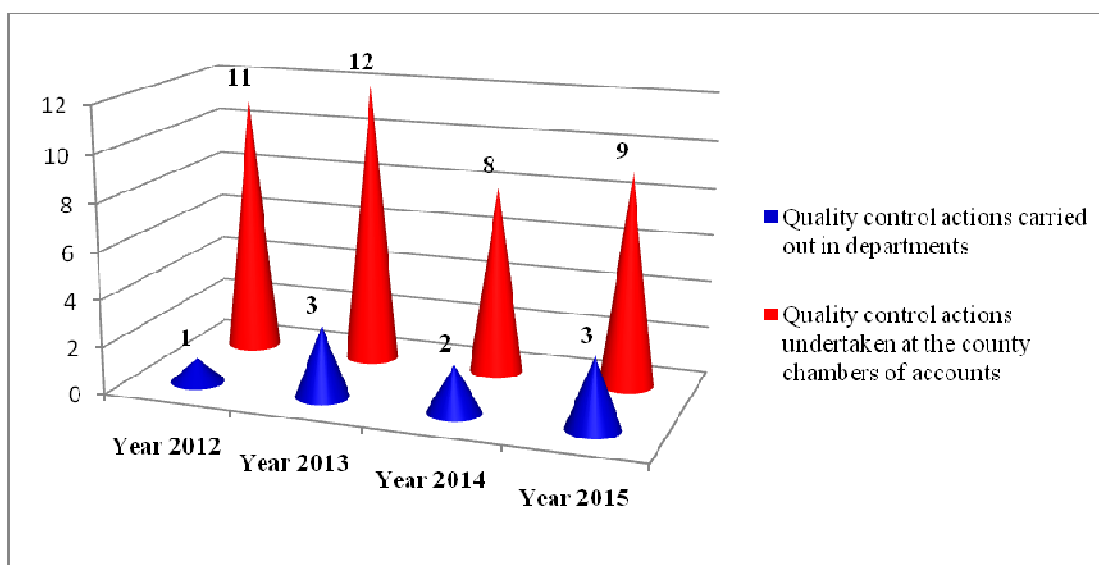
The purpose of this type of evaluation is to ensure continuous high quality output of the quality of the Romanian Court of Accounts' specific activities.

In the period 2012-2015 there were organized several actions of quality control (table no.1), as follows:

Table no. 1

No.	Year	Quality control actions carried out in departments	Quality control actions undertaken at the county chambers of accounts	TOTAL
1	2012	1	11	12
2	2013	3	12	15
3	2014	2	8	10
4	2015	3	9	12

Source: The Romanian Court of Accounts' activity reports (2012, 2013, 2014 and 2015)



Graphic no. 4. Graphical representation on quality control actions undertaken at the level of departments and county chambers of accounts.

Analyzing the data in the table above, it can be noted that the activity of quality control in the specific activity of the Romanian Court of Accounts for 2012-2015 took place mainly at local chambers of accounts, most of the actions taking place in 2013, respectively 15 actions (graph no.4).

This activity is conducted by the special assessment compartment established and it is based on an inspection program approved annually by the executive and approved by the Romanian Court of Accounts Plenum. This program is designed to ensure the verification of each structure of control / audit at least once to every 5 years, but there can be made also ad-hoc inspections ordered by the Romanian Court of Accounts management.

Conclusions

Performance management is a long term investment, whose effects can be seen from the results achieved. The measurement of the results obtained must be closely related to the stages of the implementation of performance management system, starting with the measurement of the objectives established, thus indicating the level of targets set.

Key performance indicators helps to quantify the achievement of a result, providing visibility in relation to performance, allowing in the same time the decision makers to take

action to achieve the desired goals. These indicators are key elements of process measurement and performance monitoring.

The main purpose of the performance indicators of the Romanian Court of Accounts is to determine all employees to act so as to achieve the objectives set out in the Court. The performance indicators are chosen so as to meet the strategic objective, i.e. the target reflecting strategic objective or intermediate values corresponding to the progress achieved.

In addition to the performance indicators, an important role has the quality assurance in the specific activity undertaken by the Romanian Court of Accounts, namely control and audit. A combination of these two elements, the performance indicators and quality control, helps to increase the efficiency of the institution.

Regarding the role of management, it should create an appropriate environment, for the employees to understand the benefits of performance measurement and their roles and how their efforts contribute to the success of the institution.

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