

THE ROLE OF SUPREME AUDIT INSTITUTIONS IN BUILDING RESILIENCE DURING THE COVID 19 PANDEMIC

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Abstract:

The ninth pandemic of the last century has taken the whole humanity by surprise, as no country in the world is prepared for a crisis of this magnitude. The new coronavirus has ruthlessly hit both the world economy and health systems around the world, with devastating consequences for the public sector, the private sector, but especially for people's lives.

This paper aims to analyze the role of supreme audit institutions in building resilience during the COVID 19 pandemic, while highlighting the value and benefits of these institutions in the public sector, both in normal conditions, but especially in deep crisis, as it is today.

The main conclusions reached by the supreme audit institutions within EUROSAI regarding the first pandemic year are also analyzed.

Keyword: *supreme audit institutions, resilience, COVID 19, public sector*

JEL Code: H12, M42

1. Introduction

In the context of the crisis generated by the infection with the novel coronavirus, the negative side effects of the SarsCov2 virus infection are outlined one by one. These include the economic crisis, the collapse of global health systems, rising government debt as a result of loans to prevent and combat diseases caused by the novel coronavirus, as well as bankruptcy and massive job losses, simultaneously with the negative impact on the educational process at all levels.

All these manifestations take place before our eyes, and the return to normalcy seems to be a desideratum that can hardly be achieved.

Under these conditions, the states of the world are trying to recover their economies and find solutions for a pandemic that seems far from being over. In this context, the role of public management is particularly important in ensuring economic stability and recovery.

2. The concept of resilience in the COVID-19 era

Although with the advent of vaccines against COVID 19 it was initially thought that the pandemic would end, it seems that this is not the case. Citizens' reluctance in some parts of the world about vaccines and their lack in underdeveloped countries have substantially slowed down the road to return to normalcy. All this is perceived as a failure of the governments of these states.

The term "resilience" refers to "someone's ability to return to normal after suffering a shock (emotional, economic, etc.)" (<https://dexonline.ro/definitie/rezilienta>). In the context of the COVID 19 pandemic, the use of the concept of resilience has become a normality, given that all states in the world, being severely affected by the crisis generated by the pandemic with the novel coronavirus, are trying hard to return to the previous state of normalcy.

In order to combat the negative effects generated by the pandemic, the world's states have taken various measures, often similar, given the fact that, in such a situation when no

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one knows exactly the magnitude of the crisis, it was necessary to think of measures to have rapid results in terms of keeping the novel coronavirus infection under control, but at the same time with the most limited effects on national economies.

The development stage of national economies at the time of the outbreak of the novel coronavirus pandemic was of great importance in terms of the impact on national economies, but especially the impact on health systems. It is clear that developed countries initially had a lower impact on the health system, due to the fact that they had already invested in efficient health systems that would meet the new needs, but nevertheless, with the evolution of the health crisis, all global health systems have collapsed.

At European level, the term "resilience" is most often used in the context of the Recovery Plan designed at European Union level, in order to support Member States in increasing their capacity to minimize the effects of the pandemic and to transform, in order to be able to deal much better with possible future crises (https://ec.europa.eu/info/strategy/recovery-plan-europe_en).

An important place in the European Recovery Plan is the temporary financial instrument NextGenerationEU, whose role is to support Member States in their efforts to repair the damage caused by the COVID 19 pandemic (https://europa.eu/next-generation-eu/index_ro). This tool focuses on the concepts of health, environmental and digitization.

Figure 1. The composition of the temporary financial instrument NextGenerationEU



Source: made by author

NextGenerationEU includes the *Recovery and Resilience Facility*, the central element through which the European Union provides Member States with funds for economic and social recovery in the context of the COVID 19 pandemic, through the national recovery and resilience plans drawn up by each Member State, as a condition for receiving the aforementioned funds.

The funding for Member States in the form of grants and loans through national reform and resilience programs is intended to support key areas, but also the transition to a green, digital and resilient Europe that can better cope with future crises (<https://www.europarl.europa.eu/news/ro/press-room/20210204IPR97105/parlamentu-aproba-un-mecanism-de-redresare-si-rezilienta-de-672-5-miliarde-eur>).

In the context of the allocation of European funds to the Member States and in terms of verifying the compliance with their use for the purpose for which they were approved, the

European Court of Auditors stated in an opinion that the Court's audit rights are necessary to be clearly defined in this context (Avizul nr. 6/2020 al Curții de Conturi Europene).

The audit of funds allocated through the Recovery and Resilience Facility will be audited by the European Court of Auditors, with the support of the supreme audit institutions of the Member States. Practically, at national level, the funds allocated to each state will be audited by the supreme audit institution of that state (in the case of Romania, by the Audit Authority of the Romanian Court of Accounts), every six months.

3. The role of supreme audit institutions in the reconstruction of the public sector

Supreme audit institutions (generically called SAIs), dubbed "the custodians of public finances", are one of the most important institutional pillars of the rule of law.

Through their duties under the regulatory frameworks, the supreme audit institutions have, in particular, the function of detecting existing deficiencies at the level of public sector entities. However, a number of supreme audit institutions have among their responsibilities the function of guidance/ counseling (Pleșa IT, Stegăroiu I., 2019), which they used even in the crisis generated by the COVID 19 pandemic, being a prevention function. This function has been extremely useful from a public sector perspective, given that supreme audit institutions have a lot of experience in the operations of public entities, being a real support for them in the heavy conditions of the public sector.

Figure 2. **The role of supreme audit institutions in the context of the COVID 19 pandemic**



Source: made by author

According to the international audit standard INTOSAI P-12 *The Value and Benefits of Supreme Audit Institutions - Making a difference in the lives of citizens* (developed by INTOSAI - International Organization of Supreme Audit Institutions), the role of supreme audit institutions is vital in society (INTOSAI P -12). They make a decisive contribution to strengthening the accountability, transparency and integrity of governments and public sector entities, thus demonstrating their relevance to citizens, Parliament and key stakeholders.

Perhaps the most important provision of INTOSAI P-12 is that to refers to the fact that supreme audit institutions must be model organizations for other public sector institutions. In practice, they must act in such a way as to be a standard of good practice in terms of ethical conduct, transparency, the provision of quality services and the strengthening of institutional capacity, through the exchange of professional knowledge and experience.

Regarding the role of supreme audit institutions in the context of the pandemic of COVID 19, at the XXV UN-INTOSAI Symposium, held online from 28-30 June 2021 (Report 25th UN / INTOSAI Symposium) were presented the main results of the external public audit activity carried out by these institutions.

The focus of the specific activities carried out was on the audit carried out in the field of health, the audit of public procurement carried out during the state of emergency, as well as on the main measures taken by state governments in response to the crisis generated by the COVID 19 pandemic. Also, some supreme audit institutions have strengthened collaboration with public sector entities, through the guidance function, where the law of organization and operation allows this (SAI Egypt, SAI Estonia, SAI Germany, SAI Indonesia, SAI Palestine).

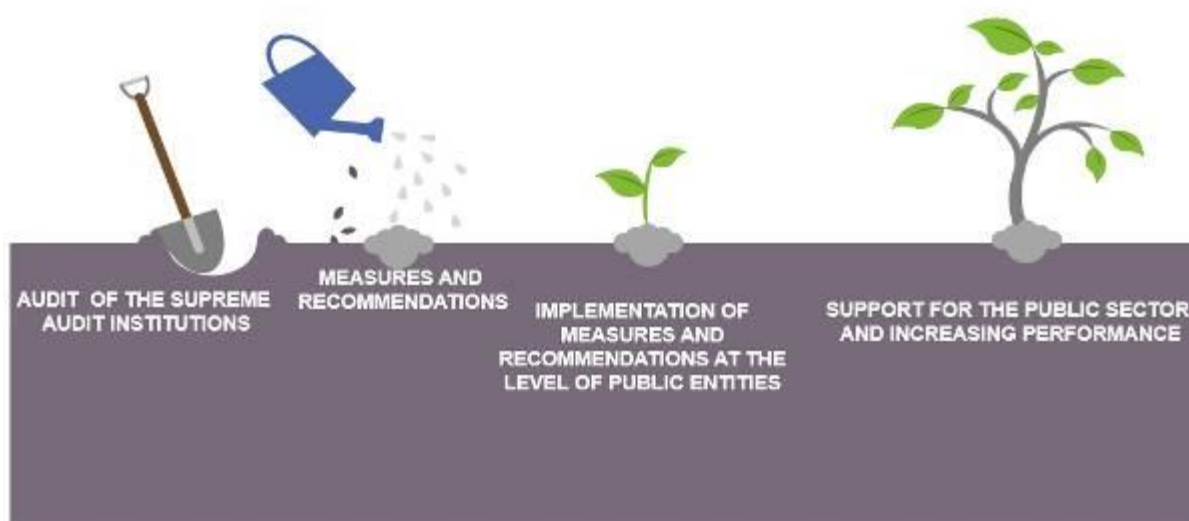
In the same context, the Symposium report highlighted that the COVID 19 pandemic acted as a link between supreme audit institutions and public sector entities, in those cases where the guidance function performed by a number of SAI allowed them to provides support to entities to meet the challenges and difficulties encountered in a pandemic context. At the same time, the conclusions of the UN-INTOSAI Symposium showed that the importance of supreme audit institutions is once again recognized by the United Nations in the context of the pandemic, in promoting the efficiency, effectiveness, accountability and transparency of public administration.

The response of supreme audit institutions was also analyzed in the European context by the Contact Committee of the Supreme Audit Institutions of the European Union, which conducted in July 2021 an audit compendium on the response of supreme audit institutions to the crisis caused by the COVID 19 pandemic. This compendium contains information on the main audit actions carried out by the supreme audit institutions of the Member States of the European Union and the conclusions presented in the reports prepared by them (Compendiu de audit, 2021).

The compendium is structured in two parts: the first part contains information on the impact of the COVID 19 pandemic on the European Union and the impact on Member States, and the second part contains information on the activities carried out by a number of supreme audit institutions in EU Member States in the context of the COVID 19 pandemic. The information contained in the second part of the Compendium prepared by the Contact Committee of the Supreme Audit Institutions of the European Union is divided into priority areas: public health, digitization, socio-economic response, public finances and the associated risks as well as the overall response from different levels of government.

The reconstruction of the public sector in the context of the losses caused by the COVID 19 pandemic also depends to a large extent on the support and involvement of supreme audit institutions. This support can be provided both through measures and recommendations issued following audits performed under the law (Figure 2) and through the guidance/counseling function that is performed by some supreme audit institutions, within the mandate conferred by law.

Figure 3. **The role of supreme audit institutions in the public sector**



Source: made by author

Regarding the public sector, we can certainly say that the supreme audit institutions contribute to increasing the resilience of public entities, through the activity of external public audit. During the audit missions carried out in the context of the COVID 19 pandemic, there were cases when the supreme audit institutions issued recommendations whose implementation by the management of public entities may increase the resilience of public sector entities, which leads to an overall resilience of the public sector (Curtea de Conturi a României, 2020).

The implementation of the measures and recommendations issued by the supreme audit institutions in order to eliminate the deficiencies found at the level of public entities is the responsibility of the management of these entities. As long as management understands that these measures and recommendations issued as a result of external public audit activities must be implemented, the shortcomings identified are eliminated, and the potential threats that may arise in the day-to-day work of the audited entities can be counteracted.

In the pandemic context we face today, a proactive attitude of public management can only be beneficial to the public sector and, implicitly, to its citizens. On the other hand, the COVID 19 pandemic is an opportunity for supreme audit institutions to permanently demonstrate the relevance of their work to stakeholders, according to INTOSAI's international auditing standards (Figure 3).

The external public audit, taking into account the new reality and the crisis generated by the COVID 19 pandemic, needs new approaches in this context. In addition to the three main types of public external audit carried out by supreme audit institutions (compliance audit, financial audit and performance audit), it may be necessary to increase real-time audits (Culea M, Constantin D., 2021), such as and new approaches to public sector systems through systemic audit, in order to gain an overview of these systems.

The importance of external public audit in the public sector is also underlined by some authors (Cordery, C., Hay, D., 2021), who believe that in the future, disasters and constraints related to existing limited resources will have a significant impact on the audit. The fact that the management of public resources is performed by the executive, the supreme audit institutions will continue to play an extremely important role in this context, from the perspective of government accountability regarding the use of these resources.

3.1. The main conclusions of the supreme audit institutions after the first pandemic year

The first pandemic year offered to all lessons from which everyone must draw their own conclusions.

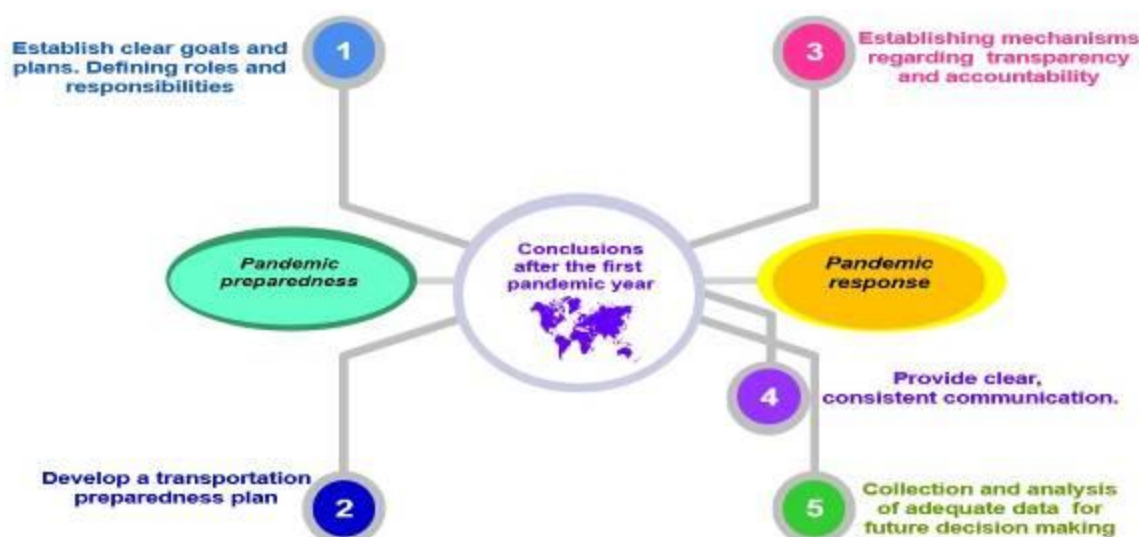
Regarding the supreme audit institutions, after the first year of the pandemic they identified the main challenges they faced: difficulties in terms of human resources, as well as difficulties in carrying out the specific activity of external public audit, given that the latter is based exclusively on audit evidence which, in some cases, can only be obtained on the spot, by direct observation or inspection by auditors.

At the international level, the approach regarding the conclusions after the first pandemic year within the external public audit community has two components: identification and analysis of the elements resulting from the specific external public audit activity of public sector entities and the analysis of the impact on the supreme audit institutions' own activity, the two aspects being presented in the following.

At INTOSAI level, the COVID-19 Initiative of the Policy Finance and Administration Committee prepared a report for external stakeholders on the lessons learned by the international external public audit community (PFAC, 2020). Thus, according to this report, supreme audit institutions now have an even more important role to play in continuing to improve governments' efforts to prepare for future pandemics.

The main conclusions of this report refer to two important phases in terms of pandemic management (Figure 4). On the one hand, preparing for a possible pandemic is extremely important, and on the other hand the response to the crisis generated by the pandemic can make a difference from many perspectives. After the first year of the pandemic, the supreme audit institutions noted that setting clear objectives and plans, as well as defining the roles and responsibilities of all structures involved in pandemic management, is a cornerstone. Given that transport is a key element in crisis management (not necessarily pandemic ones), the development of a transport preparedness plan is another key element presented by the supreme audit institutions.

Figure 4. The main conclusions of the supreme audit institutions after the first pandemic year



Source: adaptaion after PFAC - Coronavirus Pandemic: Initial Lessons Learned from the International Auditing Community, 2020

The response to a pandemic crisis is the second phase indicated by the supreme audit institutions in the report's analysis. Thus, they identified three important elements that contribute to the management of the pandemic: establishing mechanisms for transparency and accountability, ensuring clear and consistent communication, and collecting and analyzing appropriate data for future decision-making. All these aspects are closely related to the management of the structures involved in the management of the pandemic. As far as the management of public entities is involved and takes into account the elements highlighted by the supreme audit institutions, we can say that there are chances that the pandemic can be kept under control.

EUROSAI (European Organization of Supreme Audit Institutions) also prepared a paper in April 2021 (EUROSAI Project Group on Auditing the response to the COVID-19 pandemic, April 2021) on the response to the pandemic and the main conclusions regarding the first pandemic year. This report was prepared by the EUROSAI Project Group on Auditing the response to the COVID-19 pandemic, a working group set up in May 2020 at the organisation's level.

The report presents the approach of the EUROSAI Project Group on Auditing the response to the COVID-19 pandemic regarding the activities carried out in the context of the analysis on the role and importance of supreme audit institutions in the COVID 19 pandemic crisis, as well as how to disseminate identified good practices (Figure 5).

Figure 5. Approach of the EUROSAI Project Group on Auditing the response to the COVID-19 pandemic



Source: adaptation after *EUROSAI Project Group on Auditing the response to the COVID-19 pandemic, 2021*

Within the EUROSAI Project Group on Auditing the response to the COVID-19 pandemic, audit reports are constantly being developed in this context, being always at the disposal of the supreme audit institutions.

4. Conclusions

In the context of the COVID 19 pandemic, the concept of resilience has become increasingly important in the public sector. This is due to the impact of policies and measures taken in this sector on the lives of citizens. The resilience of public sector entities is a desirable feature during crises, as their impact on citizens' lives is lower the more resilient they are.

The quality of public finances and their management, both in normal times and especially in the context of the crisis caused by the COVID 19 pandemic, has been of constant interest to citizens. All eyes were on the management of public entities, which had to adapt to the new conditions of normalcy.

The role and importance of supreme audit institutions, in terms of specific public external audit activities, is becoming particularly important. Through the measures and recommendations issued, the supreme audit institutions make a decisive contribution to the efficient management of public finances and to the reduction of the negative phenomena that are amplified during the crises: fraud and corruption.

Regarding the resilience of the public sector in the context of the crisis caused by the COVID 19 pandemic, this can be amplified by the involvement of supreme audit institutions, both through specific external public audit activities and through the guidance function, available at to some of these institutions, based on the mandate given by their law of organization and functioning. All this is possible with the intensive involvement of public management.

Although the pandemic is not over yet, we can say with certainty that the role of supreme audit institutions will grow, not only in ensuring the resilience of the public sector, but also in the benefits to citizens around the world.

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