

SUPREME AUDIT INSTITUTIONS. COMPARATIVE STUDY FOR THE CENTRAL AND EASTERN EUROPEAN COUNTRIES MEMBERS OF THE EUROPEAN UNION

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Abstract:

The Supreme Audit Institutions play a major role in auditing the counts and the activities of the public institutions and in promoting a healthy financial administration of public funds and general responsibility inside the government. The Supreme Audit Institutions from Central and Eastern Europe are in a process of institutional modernization as one of the request of the process of european integration. We intended to realize a comparative study for some Central and Eastern European countries regarding some criterions. Through this study we intended to obtain an overall image over the Supreme Audit Institutions taken into consideration in this study, to present the similarities and the differences that exist in the present time between these institutions. Due to the fact that countries differ at the level of individual reform in this area we founded differences in the organization of these institutions and in their evolution since their foundation. Their mission of the institution is to audit and evaluate the operation of the financial system of public finances and to promote its development. We observed that there was a rapid development of the Audit Offices in the region due to their joint efforts. These institutions face different limitations because of countries' distinct constitutional, legal, social, economic and political system.

Key words: audit, supreme audit institution, performance audit, financial audit, regularity audit

JEL Classification: M42

INTRODUCTION

The Supreme Audit Institutions play a major role in auditing the counts and the activities of public administration and in promoting a healthy financial administration of public funds and a general responsibility inside the governments. Taking into consideration the growing expectations of the citizens, of the international donors of funds and the expectations of the national governments, these governments depend on the Supreme Audit Institutions to help them to guarantee the responsibility concerning the accountancy of the public administration.

While in the private sector we have a competitive environment regarding the providers of audit services in spite of the concentration of the services in the hands of The Big Four, the external audit in the public sector has one essential characteristic and that is the monopoly of the Supreme Audit Institutions. That's way these institutions are responsible for the auditing of the counts and activities of the public administration.

The Supreme Audit Institutions face different characteristics because of countries' distinct constitutional, legal, social, economic and political system.

We realized a comparative study on the Supreme Audit Institutions of several countries members of the European Union. For this study we selected countries from Central and Eastern Europe and Romania is one of them. The point from which we started the selection of these countries is that Romania in this geographic region and the fact that all the countries that we selected are countries in course of development.

Taking into consideration the aspects mentioned above we selected the following countries: Romania, Bulgaria, Hungary, Republic of Slovenia, The Slovak Republic, Poland and The Czech Republic. For each of these seven Supreme Audit Institutions we focused our attention towards the following aspects:

1. The moment of the establishment of the institution;
2. The moment when the institution became a member of INTOSAI;

3. The organization of the Supreme Audit Institution;
4. The mission of the Supreme Audit Institution;
5. The types of audit exercised by each Supreme Audit Institution.

The article contains a short presentation of each county, that we selected for the study, regarding all the aspects mentioned above.

1. Romania

The Court of Accounts is the supreme body of external subsequent financial control on the formation, administration and use of the financial resources of the state and the public sector. The role of the Court is established through the Constitution of the state. The Court of Accounts of Romania was established in keeping with the Law of January 24th 1864 under the name of "The High Court of Accounts", for the whole Romania. According to art.15 in the law "The Court shall be charged with the investigation and adjudication of all accounting operations in connection with the income of the treasury, general county pay-offices as well as those of the administration of indirect taxation, and with the closure of accounts in connection with expenditure incurred by all accounting agents".

The activity of the Court is regulated by the Law no.94/1992 on the organization and functioning of the Court of Accounts completed and modified in keeping with Law no.99/1999 concerning certain measures for the acceleration of the economic reform, Law no.204/1999 on the modification and completion of Law no.94/1992, Law no.77/2002 and , Law no.217/2008 the modification and completion of Law no.94/1992, legalizes in full compliance with art.139 in the Constitution : " The Court of Accounts is the supreme body of financial control over the way of establishment, administration and use of the financial resources of the State and of the public sector. The Court of Accounts also exerts jurisdictional attributions, as provided by law".

The Court of Accounts is member of INTOSAI (International Organization of Supreme Audit Institutions) and EUROSAI (European Regional Working Group) since 1993.

The Court of Accounts of Romania consists of a president, vice-presidents, a secretary general and the Plenum of Court of Accounts. In the administrative-territorial units the Court exerts its functions through the district chambers of accounts. The Secretary General Office of the Court of Accounts is led by a secretary general. Within the framework of the Secretary General Office operates directorates, compartments and offices. Other compartments with special attributions are Internal Audit Compartment, External-Internal Relations Compartment and Legal Compartment.

The mission of this institution is to promote professional excellence in the process of obtaining and utilization of useful and quality information. By the controls of legal persons, the Court of Accounts mainly considers the exactness and truthfulness of the balance sheets and of the profit and loss accounts; the discharging of financial obligations towards the budget or other funds established by law; the use of the funds allotted from the budget or from special funds, according to the established purpose; the quality of economic and financial management, if this affects the rights of the state, of the administrative territorial units or of the public institutions or if obligations are imputed to them; the economy, efficiency and effectiveness of public acquisitions.

The Romanian Court of Accounts realize the following types of audit: financial audit in the public sector, regularity audit in the public sector and performance audit in the public sector. The main interest of the audits is to estimate the legality of spending. The performance audit is recent in its activity. In 2002 the law mandated the Court to carry out performance audits.

2. Bulgaria

The Bulgarian National Audit Office (NAO) is the Supreme Audit Institution in Bulgaria. The National Audit Office continues the budgetary control traditions of the Supreme Chamber of Control, which was established by law in 1880 and was operating until 1947. The National Audit Office is elected by the National Assembly on the grounds of art. 91 of the Constitution of the

Republic of Bulgaria from 1991. The National Audit Office is a government authority responsible for the external audit of the public budget and of her public resources and activities.

Its organization, mandate and procedures for its activity are regulated by the National Audit Office Act (Promulgated, Official Gazette No.109/18.12.2001; Amended, Official Gazette, No.45/30.04.2002; Amended 31/2003; Amended, 38/11.05.2004).

The Bulgarian National Audit Office is member of INTOSAI (International Organization of Supreme Audit Institutions) and EUROSAI (European Regional Working Group) since 2001.

The National Audit Office reports its activity to the National Assembly and informs the public on the results of its audits. The National Audit Office audits: the state budget; the budget of the state social security scheme; the budget of the National Health Insurance Fund; The budgets of municipalities, the budget expenditures of the Bulgarian National Bank and their management and other budgets adopted by the National Assembly. The Law on Political Parties adopted in 2005 gives NAO the mandate to perform financial control on political party activities and their management. The National Audit Office is independent in performing its operations and it reports to the National Assembly

The National Audit Office consists of President and 10 members, elected by the National Assembly for a term of 9 years. The organizational structure of the National Audit Office includes 10 departments, 6 Regional Offices in the country with respective sectors and administration.

The mission of the National Audit Office is to contribute to the sound management of budgetary and other public funds, and to provide the National Assembly with reliable information on the use of funds, in accordance with the principles of legality, effectiveness, efficiency and economy and for the truthful reporting of the execution of the respective budgets.

The National Audit Office shall perform its auditing function by conducting financial audit, which includes auditing financial management and auditing financial statements; performance audit and other specific audits. The National Audit Office of the Republic of Bulgaria performs independent audit of the budget and other public funds, guarantees the public trust in the expenditure of funds and contributes to the sound financial management in the country.

3. Hungary

The first independent Hungarian Audit Office was set up in 1870. In 1914 its name was changed to Hungarian Supreme Royal Audit Office and the institution functioned until 1949 when it was dissolved by a decree. After forty years, through an amendment of the Constitution in 1989 the State Audit Office of Hungary was established once again in Hungary. This Supreme Audit Institution is a member of INTOSAI since 1968.

The State Audit Office of Hungary is the financial and economic audit organization of the National Assembly and the supreme organ of state auditing. The aim of this institution is to audit the management of public funds and public property as an organization being independent from the government.

The audit mandates also covers the financial management of social security and separated state funds, local and minority governments, country regional developing councils, economic chambers, public foundations, non-profit organizations, credit institution, political parties and other related foundations.

The State Audit Office of Hungary consists of a president, vice-presidents, a secretary general, senior officials, auditors and civil servants, administrators and employees under the Labour Code.

In the SAO's organization two directorates operate: one audits the central level of public finances while the other audits the financial management of local governments, social organizations and foundations. General directors of audit head both directorates.

Based on the Constitution and the relevant legislation the mission of the institution is to audit and evaluate the operation of the financial system of public finances and to promote its development. The purpose of audits is to serve and reinforce the security of public financing. Audits are carried out upon consideration of legality, expediency and effectiveness.

State Audit Office of Hungary audits can be divided into three main groups: regularity, performance and comprehensive audit. Regularity audits focus on organization and their operation (activities, programs and the related financial processes). The purpose is to assess their legality and compliance with the relevant rules. The purpose of performance audit is to establish whether the organizations have accomplished projects and activities in economic, efficient and effective manner. Comprehensive audits evaluate the organizational frameworks as well as the conformity of all these by applying the system-based approach.

4. Republic of Slovenia

In accordance with the Slovenian Constitution the Court of Audit of the Republic of Slovenia is the highest body for supervising state accounts, the state budget and all public spending in Slovenia. The Constitution further provides that the Court of Audit is independent in the performance of its duties and bound by the Constitution and law. The Court of Audit cannot be categorized within any of the three branches of power, legislative, executive or judicial. This institution was established in 1994 less than four years after the declaration of the independence of the Republic of Slovenia. The first foundation of this institution was in 1761 when the Empress Maria Theresa has established the Accounting Chamber - the body with fairly wide powers both in the area of audit of accounts and the accounts management. This Supreme Audit Institution is a member of INTOSAI and EUROSIA since 1994.

The Court of Audit is the highest body for supervising state budget and all public spending. In relation to other state authorities, the Court of Audit is an autonomous and independent state authority. No body, institution or other entity may order it to carry out tasks nor give it instructions as to how to perform tasks, what sort of audit it should carry out or what it should audit.

The members of the Court of Audit are the President of the Court of Audit, two Deputy Presidents and a Secretary. Members of the Court of Audit are appointed for a term of nine years by the National Assembly. The President of the Court of Audit and the two Deputy Presidents of the Court of Audit constitute the Senate of the Court of Audit. The Court of Audit can have up to six Supreme State Auditors, who head the audit departments and Secretary of the Court of Audit, who head the support services.

The mission of the Court of Audit is to inform the public about important audit findings from the audits of the state bodies, and other public funds users in a timely and objective manner. In addition the institutions delivers best practice advice to state bodies and other users of public funds on how to improve their financial management.

Every year, the Court of Audit must audit the state budget; the public institute of health insurance; the public institute of pension insurance; the budgets of municipalities; the public utilities providers and the providers of non-commercial public services.

The Court of Audit may carry out regularity and performance audits. Regularity audits provide relevant and sufficient data to enable an opinion to be expressed on compliance of operation with regulations and guidelines that any user of public funds is required to observe in the conduct of business operation. Performance audits provide relevant and sufficient data to enable an opinion to be expressed on economy, efficiency and effectiveness of business operation.

5. Slovak Republic

The Supreme Audit Office of the Slovak Republic is declared directly in Constitution of the Slovak Republic as an independent authority auditing the management of budgetary funds, state property, property rights and government claims.

As early as in 1761 the Empress Maria Theresa has established the Accounting Chamber - the body with fairly wide powers both in the area of audit of accounts and the accounts management. On January 1, 1993 the Slovak Republic was created as an independent sovereign state. Its Constitution includes also the Act on the Supreme Audit Office of the Slovak Republic. As

per Constitution the competence, powers and structure of the Office are regulated by Supreme Audit Office of the Slovak Republic Act No. 39 of the National Council of the Slovak Republic of January 19, 1993.

The mandate of the institution covers the funds of the state budget, extra -budgetary funds, and the management of all state property and the use of funds from abroad. It also audits the companies where the state holds more than 34%.

The official authorities of the Office are the President of the Office and the two Vice -Presidents of the Office. The Office is headed by the President as a statutory authority. The President is deputised by the designated Vice -President. The President and two Vice -Presidents are elected and recalled by the National Council of the Slovak Republic by secret ballot. The term of office of the President and the two Vice -Presidents is seven years.

The mission of this supreme audit institution is the improvement of the quality and efficiency of independent auditing activities, as well as internal control systems through the bodies, employees and optimally distributed network of regional offices in mutual support and co -operation with other audit institutions resulting in better management of public state property.

The mandate of this institution is not very precisely, it isn't mentioned if the Office should audit the performance of the activities or only the efficiency of the operations of public entities so the Office can offer an opinion regarding the relation cost-efficacy , an opinion regarding the efficiency of the activities of public entities or regarding the success of these activities. So the types of audits conducted by the Office are financial audits and performance audits.

6. Poland

The Supreme Chamber of Control is one of the oldest state institutions in Poland, created under the Second Republic on February 7, 1919, barely 3 months after the restoration of Poland's independence. In its present form the institution has existed for over 80 years. The Constitution of 2 April 1997 was passed emphasizes the institution's independence of the government and stresses its subordination to the Sejm. The basic issues concerning the audit institution's organization are regulated in the Act on the Supreme Chamber of Control of 23 December 1994. This institution has been a member of INTOSAI since 1959 and actively participates in the activities of its regional working groups, EUROSAL.

From its very first day, the Supreme Chamber of Control has been the country's supreme supervisory body, empowered to exercise wide -ranging control of the revenue and expenditure of the state and all institutions and corporations that make use of public funds. The Supreme Chamber of Control is entitled to audit all state institutions, government and local government administrative units, together with those corporate bodies and non -governmental organizations which perform public contracts or receive government grants and guarantees.

Under the current regulations, NIK is answerable to Sejm, which appoints its chairperson for a 6-year term, with the approval of the Senate. According to the Act on the institution there may be 2, 3 or 4 Vice -Presidents. The Act establishes also the post of the Director General. The Supreme Chamber of Control operates through its departments and delegates' offices. There are four kinds of departments: departments carrying out audit tasks (8), departments supporting audit tasks (2), administrative departments (4) and regional offices (16 - equals that of the voivodeships). The division into departments reflects the scope of the matters it controls.

The mission of the Supreme Chamber of Control is to promote economic efficiency and effectiveness in the public service to the benefit of the Republic of Poland.

According to its Act this institution is allowed to perform the following types of audit: financial audit in public sector, regularity audit in public sector and performance audit in public sector. The Supreme Chamber of Control undertakes audits from the point of view legality, economic efficiency, efficacy and integrity.

7. Czech Republic

In the Czech Lands which were a part of the Austro-Hungarian monarchy until 1918, the first audit institution was the Court Accounting Chamber, set up in 1761. The name of the institution whose area of activities was the whole Habsburg monarchy was changed several times. After the Czech Republic became a separate independent state in January 1993, the present Supreme Audit Office was established in July 1993. The existence of the institution has been enshrined in the Constitution of the Czech Republic, and in contrast to the past, its mandate is conceived in an entirely new way. The Supreme Audit Office performs its functions independently, being dependent neither on the legislative power (parliament) nor on the executive power (government). Act No. 166/93 on the Supreme Audit Office is the act of the institution.

On the basis of this law, the Supreme Audit Office audits the management of state property and financial resources collected under the law, e.g. for health and social insurance. It also audits the revenue and expenditure items of the state budget, e.g. payment of taxes by all liable persons, and their correct calculation and collection by the revenue authorities.

Organizational bodies of the institution are: president appointed by the President of the Republic upon the proposal of the Chamber of Deputies for a term of nine years, vice -president also appointed for a term of nine years, Board, Senates, and Reproach Chamber of Supreme Audit Office. Activities of the Board, the Senates, and the Reproach Chamber follow the institution's Law and rules of procedure that are consulted and authorized by the Board. According to the organizational structure, the Supreme Audit Office consists of several sections. The director of the Supreme Audit Office President's Office, heads of the sections, and directors and chiefs of departments and secretariats are among managers of the institution.

The main mission of institution is to provide constitutional institutions and citizens with reliable and competent information on the management of taxpayers' resources, resources collected under law, and state property.

The majority of the audit processes are regularity audits that are focused on conformity with the laws and directives applicable in the Constitution of the Czech Republic. The financial and performance audit had begun in a pilot program in 2002 and since that the Supreme Audit Office made big progresses in both domains.

CONCLUSIONS

At the level of the Supreme Audit Institutions of the countries members of the European Union and not only those, it should be recognized the importance and the actuality of the improvement processes of the institutions' activity in the context of the European vector. The adhering to the European Union represented for the member states a point from which it started the reform process of the institutions from the domain of external public audit and financial control.

The supreme audit institutions differ between them regarding their structure and their operating way. The similarity is that all the institutions from this study are managed by a President. In general there are two main types of supreme audit institutions and these are the "Courts" and the "Offices" of Audit. Between these two types there are differences concerning their organization structure and their way of functioning.

The oldest supreme audit institutions are those from Czech Republic, Slovak Republic and Republic of Slovenia. In the lands of these countries were a part of the Austro -Hungarian monarchy until 1918 so the first audit institution was the Court Accounting Chamber, set up in 1761 for all of them.

The results of our study are presented in the table below:

Table no. 1. The study results

Country	Name of institution	Year of establishment	Year of adhering to INTOSAI	The management of the institution	Financial audit	Performance audit	Regularity audit
Romania	Court of Accounts	1864	1992	President and vice-president	X	X	X
Bulgaria	National Audit Office	1880	2001	President and 10 elected members	X	X	X
Poland	Supreme Chamber of Control	1919	1959	President and vice-president	X	X	X
Czech Republic	Supreme Audit Office	1791	-	President and vice-president	X	X	X
Republic of Slovenia	Court of Audit	1761 / 1993	1993	President and two vice-presidents	X	*	X
Slovak Republic	Supreme Audit Office	1761 / 1995	1995	President and two vice-presidents	X	X	X
Hungary	State Audit Office	1870	1968	President and vice-president	X	X	X

Source: authors

* *it isn't use the term performance.*

We can notice that the younger supreme audit institution, Supreme chamber of Control of Poland is also the first that adhered to INTOSAI. Regarding the three types of audit that we mentioned we observed that only one country doesn't practice one of them: we couldn't find the specific use of performance audit for the Republic of Slovenia.

The mission of the supreme audit institution is the same but maybe it is expressed with different words. The main mission of institution is to provide constitutional institutions and citizens with reliable and competent information on the management of taxpayers' resources, resources collected under law, and state property.

END NOTES:

1. "Investe te în oameni!" doctorand bursier în "Proiect cofinan at din Fondul Social European prin Programul Opera ional Sectorial Dezvoltarea Resurselor Umane 2007 -2013"

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