

THE FINANCIAL IMPACT OF SAIS' ACTIVITIES ON THE PUBLIC SECTOR'S RESOURCES. THE CASE OF ROMANIA

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Abstract

Supreme audit institutions are key actors in ensuring, through their specific external public audit activities, the accountability for public resources' management. Their goals are defined by each state's constitution and generally entail examining and reporting on the lawful, efficient, effective and economical use of public finances and assets. Since SAIs must continuously strive to demonstrate their added value to stakeholders, while also providing an institutional model beyond reproach, quantifying their impact on public finances is of the utmost importance both for SAIs and the entire society. The research aims to analyze the regulatory and reporting framework of the Romanian Court of Accounts from the audit results indicators standpoint, providing a correlational analysis with certain intrinsic and extrinsic variables. The research results are useful for both the professional and the socio-economic environment concerned with assuring the optimal management of public resources, providing insights into a result-based approach.

Key words: *Court of Accounts, external public audit, financial impact, Romania, supreme audit institution.*

JEL Classification: *H83, M42.*

I. INTRODUCTION

The global progress in contemporary society has increased the population expectations and aspirations. In this context, the research premise is the importance of the external audit in the public sector, as specific activity to supreme audit institutions (abbreviated SAIs) and with an essential role within the democratic systems, from the perspective of monitoring aspects related to public services and informing stakeholders through objective reports.

Over time and, in particular, over the past decade, the external public audit has generated debate on several topics of interest, as well as a number of international cooperation initiatives under INTOSAI's patronage, culminating with the development of its own set of international audit standards. However, the issue of quantifying the financial impact of the SAIs' activities has not received the necessary consideration from a normative, as well as a research standpoint.

In this context, the objective of our research is the financial impact analysis of supreme audit institutions' activities on public sector resources. We consider that this investigative approach will further enhance the value of SAIs activities and will provide insight into their financial impact assessment, thus contributing to a better stakeholders' perception on the added value through the external public audit's specific activities.

The paper adds nuances that were not found in the previous research on the external audit in the public sector, the research results being useful and interesting to both the professional and the socio-economic environment concerned with this activity.

Alongside the introduction and conclusions, the paper is structured on the following sections: literature review, the research methodology and a section dedicated to the financial impact of the Romanian Court of Accounts' (abbreviated RCoA) activities on the public sector's resources, including the research results. The conclusions section also includes the research limits, as well as the future research directions.

II. LITERATURE REVIEW

Supreme audit institutions contribute decisively to the quality and efficiency of financial management in each country (Kontogeorga, 2019). From this perspective, the standards issued by INTOSAI (The International Organization of the Supreme Audit Institutions) encourage SAIs to recognize the value they deliver through their activities and demonstrate it to citizens, Parliament and other stakeholders (Cordery & Hay, 2019).

However, there are significant variations in the way SAIs are organized, on 'what they produce', in their relations with the media and the stakeholders and in the impact of their activities on entities and society as a

whole (Johnsen, 2019).

The financial impact of SAIs' activities must be addressed correlatively with their results and the evaluation or quantification of this impact is a tool for measuring the SAIs' performance.

From the results' dissemination point of view, the European Union's and its Member States' SAIs submit their reports to the parliaments (usually the special committees dealing with these reports) (European Court of Auditors, 2021). SAIs' activity must be of interest to lawmakers, focusing on the external public audit reports' impact and on the recommendations for legislative changes that could have the effect of limiting the shortcomings and inconsistencies.

Despite its importance, the way in which the financial impact of SAIs' verification actions is measured is a limited topic in terms of research at both national and international level. Moreover, the lack of empirical evidence on the audit's impact was also highlighted by Reichborn-Kjenneud & Johnsen (2018).

In Morin's view (2008), the audit's impact depends to a large extent on the convergence of the auditors' conclusions with the views of the audited entities' representatives.

By recourse to the specialized literature's review on how to measure SAIs' results, Bonollo (2019) points out that previous research focused more on performance audit than financial audit and the authors used descriptive indicators more frequently than quantitative indicators. Her research results highlight the establishment of subsequent procedures in order to follow-up the effects of audit recommendations as the most important way to improve the results of the audits carried out by SAIs. Also, as proposals on how to measure the audit results, the author refers to the use of a Likert scale of the SAIs' audit activity and the recommendations' implementation ratio. Correlatively, the results of the research undertaken by Torres *et al.* (2019) show that there are two main ways in which the recommendations included in the audit reports produce an impact, namely: the Anglo-American model – based on the audited entities' actions and the follow-up processes and the Germanic model – based on the parliamentary action. The subsequent audits' (follow-ups) importance in verifying the auditees' responsiveness to the recommendations formulated by the auditors on various aspects regarding the public funds' improper use was also highlighted by Umor *et al.* (2016). They point out that the lack of follow-ups can cause problems in measuring the audits' actual value and the recommendations' expected results.

In terms of performance audits, Pollitt *et al.* (1999) highlighted several approaches in measuring their effects, such as their impact on Parliaments, media, cost savings, public debate and the audited entities. Also, Reichborn-Kjenneud (2014) analyzed the impact of the performance audit on public policies in Norway, the research results revealing that the Norwegian SAI is mainly concerned with the managerial issues as well as the fact that most of the audit reports receive a moderate attention from the media and the parliamentary control committee. Johnsen *et al.* (2019) have analyzed the performance audits' impact on public administration in Denmark, Finland, Norway and Sweden, their research results indicating a positive impact, from the auditees' perspective, on utility, changes, improvements and, to some extent, on accountability. At the same time, the SAIs' legitimacy, the quality of audits and the consequences of the media attention have been highlighted as important factors for the audits' impact.

In the Romanian specialized literature, Marcu (2018) addressed the ethical impact and the potential consequences of ethical breaches in conducting the external public audit. From another perspective, Oțetea *et al.* (2015) point out that, although the impact of SAIs' activities is quite difficult to quantify both quantitatively and qualitatively, there are several methods for assessing the financial impact of the external public audit on the national budgets and it becomes interesting how SAIs report on their performance. In this sense, from a pragmatic perspective, different approaches are used, which may include methods such as the parliamentary assessment, the relations with the media, the audits' monetary impact quantification, the impact on the government policies and practices, the feedback received from the auditees and their perception on SAIs.

The undertaken research highlights that the conceptual approaches presented converge on the importance of assessing the financial impact of SAIs' activities, towards the systematic improvement of the financial management in each country.

III. THE RESEARCH METHODOLOGY

The investigative approach combines qualitative and quantitative research, the descriptive-conceptual and the pragmatic perspective. The paper presents the conceptual approaches to SAIs' activity impact, by recourse to the specialized national and international literature, completed with an analysis of the RCoA's financial impact on public sector resources. In this regard, we analyzed the regulatory framework and reviewed the publications portfolio and the information available on the official website of the institution www.curteadeconturi.ro.

The specific regulations of the external public audit in Romania envisaged by the research are the Law no. 94/1992 on the organization and operation of the Romanian Court of Accounts, republished, with the subsequent amendments and additions and the Regulation on the organization and conduct of the Court of

Accounts' specific activities, as well as on their follow-up (abbreviated RODAS), published in 2014, with its subsequent amendments.

The financial impact of RCoA's activity is analyzed using the relevant result indicators for its audit engagements (prejudices, additional income and financial and accounting irregularities). Additionally, the research analyzes the correlations between the result indicators pertaining to the territorial RCoA structures and several intrinsic variables (number of financial, compliance and performance audit engagements, number of examinations of transfers to subordinate entities, audit staff) and extrinsic variables (total local budgetary revenues, revenues from VAT allocated for decentralized activities, total local budgetary expenses and personnel expenses). The correlation analysis was performed using the Pearson coefficient and the SPSS statistical software. Also, mapping was used to further highlight our results and conclusions.

The data was collected from the Annual Public Reports of the Romanian SAI for the 2014-2020 timespan (the audited period 2013-2019), from the Local Public Finance Reports for 2019 for each territorial structure of RCoA and, also, using the specialized portal for local budgets employed by the relevant Ministry, available online at http://www.dpfb.mdrap.ro/sit_ven_si_chelt_uat.html.

IV. THE FINANCIAL IMPACT OF SAIS' ACTIVITIES ON THE PUBLIC SECTOR'S RESOURCES. THE CASE OF ROMANIA

In Romania, within the process of validating the formation, management and use of the financial resources of the public sector, an important role lies with the Court of Accounts as supreme audit institution conducting the external public audit (Calu *et al.*, 2011). By reference to most Member States of the European Union, in Romania, the Parliament does not have a special committee to deal with RCoA's audit reports and the related remedial procedures. Such a specific committee would increase the audit procedures' impact and the Parliament's attention to the SAI's activity (Oțetea *et al.*, 2015).

By recourse to the revision of the publications portfolio available on RCoA's official website, a first result of the undertaken research illustrates that a series of methodological coordinates on assessing the financial impact of the verification actions carried out by Romania's supreme audit institution is presented in RODAS. Also, by reviewing RCoA's Annual Public Reports, we note that the Romanian SAI assesses the financial impact of its verification actions by means of three relevant result indicators, namely: additional income, prejudices and financial and accounting irregularities (The Romanian Court of Accounts, 2021).

However, the external public audit regulatory framework in Romania expressly defines only the prejudices, discerning between legal or regulatory deviations that cause prejudice to public budgets and other types of findings regarding the audited financial statements or activities. While the additional income refers to the revenues inadequately calculated, recorded or collected, the prejudice (in some cases referred to as illegal disbursements) represent losses on the patrimony of the state, of an administrative-territorial unit or of a public entity thereof, as a result of an unlawful act committed by a person responsible for the management of the patrimony. According to Romanian regulations, the prejudice must be fully recovered by covering the loss and also the interest and the penalties. We must underline that, from a patrimonial standpoint, the prejudicial findings and those that incur additional revenues are equally important to the budget result, since the first diminish expenses and the latter increase revenues. Meanwhile, the financial and accounting irregularities usually impact on the correctness of the audited financial statements.

During the audit engagements, the auditors quantify the deviations amount for the checked samples, establishing a certain prejudice. Procedurally, when identifying a prejudice to public budgets, the Romanian SAI notifies the audited public entity's management. Subsequently, setting the extent of the prejudice, including the interest and penalties, and ordering the steps to recover them lie with the auditee's management. With all other identified errors, the Romanian SAI issues specific documents named decisions, that can prompt the auditee either to suspend the measures that contravene with the regulations, to remove irregularities found in the audited financial, accounting or fiscal activity or can block the budgetary or special funds when ascertaining their illegal or inefficient use. Notably, other administrative or criminal avenues can be followed in the case of graver actions by managers or staff, but these have no financial impact and fall out of the scope of our research.

According to the RCoA's Regulation on specific activities, the decisions issued by the Romanian SAI may include measures related to recuperating the budgetary prejudice, removing the irregularities that did not produce any prejudice or increasing the economy, efficiency and effectiveness in using the public funds or in administering the public property. Since there is a clear identity between RCoA's reported findings that quantify prejudice amounts and those distinguished by the regulatory framework, the other two financial impact indicators pertain to findings classified as irregularities that did not produce any prejudice or refer to the economy, efficiency and effectiveness in using public funds or administering public property.

From another perspective, the research results highlight that the strategy on the institutional development

of RCoA does not contain any reference to the three result indicators analyzed. Since RCoA’s mission is to conduct the control function over the way state and public sector financial resources are established, managed and used, providing the Parliament, authorities, public institutions and taxpayers reports on their sound use and management in order to ensure the economy, efficiency and effectiveness, the Romanian SAI has identified its general strategic objectives, and their analysis reveals that none of them refers to a desired or expected level or dynamic for the three result indicators. Moreover, the RCoA’s periodic public reports do not reveal historic trends for the three main results indicators or any analysis of their evolution and its causes, leading us to conclude that the Romanian SAI employs the result indicators more as informative tools, rather than performance indicators for its departments and the institution as a whole.

By recourse to the revision of RCoA’s Annual Public Reports, the deviations found as a result of the verification actions carried out in the period 2014-2020, grouped on the three results indicators analyzed, are presented in Table 1. Correlatively, the evolution of the indicators used for quantifying the financial impact of the Romanian SAI’s activity, during the analyzed timespan, is presented in Figure 1 and Figure 2.

Table 1. The deviations found as a result of the verification actions carried out by RCoA in the period 2014-2020 (million RON)

	2014	2015	2016	2017	2018	2019	2020
Prejudices	2,372.44	1,761.12	1,843.22	687.65	349.31	267.90	595.48
Additional income	2,719.66	3,617.61	1,522.28	978.18	931.55	721.62	750.33
Financial and accounting irregularities	33,293.28	22,747.30	29,065.42	43,225.05	32,207.43	30,667.09	77,424.38

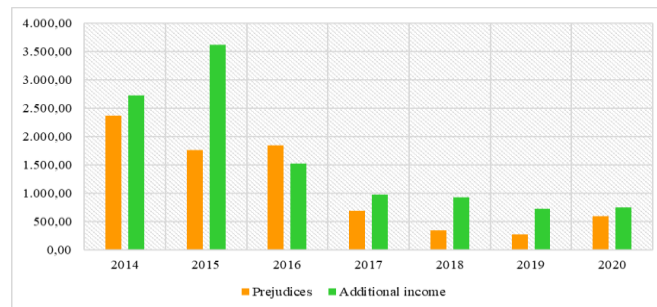


Figure 1 – The trend of the prejudices and additional income identified by RCoA, as a result of the actions carried out between 2014-2020

The research results highlight the fluctuating evolution of the three indicators during the examined interval. Analyzing strictly the 2020 findings compared to 2014, we note a reduction in the amount of the prejudices by 74.90%, a decrease in the value of the additional income by 72.41% and an increase in the value of financial and accounting irregularities by 132.55%.

The evolution of the three result indicators is influenced by a multitude of endogenous and exogenous variables, such as the institutional strategy, the audit approach, the audit staff experience, the regulatory framework, the audited budgets size, the auditees’ internal control functionality and their conformance with previous recommendations. In the following, our research will explore some of these variables, aiming to further the knowledge about the financial impact of SAIs’ activities on the public sector resources.

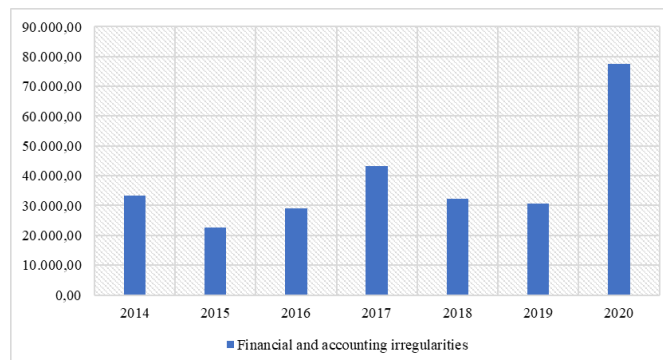


Figure 2 – The trend of the financial and accounting irregularities identified by RCoA, as a result of the actions carried out between 2014-2020

Subsequent to analyzing the evolution of the three indicators used to quantify the financial impact of the Romanian SAI's activity, we shall analyze the correlations between these indicators and a number of institutional and budgetary variables.

Organizationally, the Romanian SAI's structure is defined by two dimensions, in order to ensure the fulfilment of its mission at both central and territorial level. Basically, the central structure of RCoA ensures the auditing of central entities, the coordination of its territorial structures, issuing methodological guidelines, the establishment and implementation of the institutional strategies, reporting to Parliament and the SAI's representation at the national and international level. Alongside its central structure, RCoA has 42 territorial structures titled Chambers of Accounts, organized in each county and in the capital, Bucharest. These territorial structures are comprised exclusively of public external auditors, that ensure the discharge of SAI's mandatory duty to audit state and local finances.

In the described context, we consider it interesting to analyze the correlations between the results indicators of RCoA's territorial structures and certain intrinsic and extrinsic variables. Since when reporting on their annual activity, the Chambers of Accounts refer only to findings from audit engagements to local budgets (while RCoA's central structure reports on the results from the audits conducted on the other institutions), our research will consider only the results indicators related to local budgets.

The Chambers of Accounts' result indicators for local budgets are relevant to the RCoA's activity, representing 39.34% of the total prejudices quantified in the 2014-2020 timespan and 13.85% of the total additional income identified during the same period. It is important to note that, when conducting financial, compliance or performance audits on decentralized entities, the results stemming from the Chambers of Accounts' examinations are aggregated and reported as a whole, by the central structure of RCoA, without reference to each territorial structure's contribution. In this context, our research is limited only to the result indicators of the local budgets audits, which are reported separately by each Chamber of Accounts.

Table 2 presents the results indicators for RCoA's 42 Chamber of Accounts, collected from the Local Public Finance Reports for 2019 for each territorial structure of the Romanian SAI, along with a series of data regarding their activity - intrinsic variables (the number of financial, compliance and performance audits, the number of examinations of transfers to subordinate entities and the available audit staff) and the main financial indicators of the counties and capital for 2019 – extrinsic variables (total revenues, amounts from VAT to finance decentralized activities, total expenditures, staff expenses).

Table 2. The results indicators of RCoA's territorial structures and data on their activity, as well as the main financial indicators of the counties and Bucharest for 2019

	Additional income (mil. RON)	Prejudices (mil. RON)	Financial and accounting irregularities (mil. RON)	Intrinsic variables					Extrinsic variables			
				Financial audit	Compliance audit	Performance audit	Transfers to the subordinate entities	Audit staff	Total revenues (mil. RON)	Amounts from VAT for decentralized expenses (mil. RON)	Total expenses (mil. RON)	Staff expenses (mil. RON)
Alba	0.69	1.77	1.67	29	2	0	34	11	1,159	27	1,173	324
Arad	0.91	1.81	115.41	30	0	0	34	10	1,252	30	1,410	340
Argeş	3.14	4.75	75.39	40	8	0	30	21	1,545	43	1,704	480
Bacău	7.74	5.57	44.35	33	1	0	46	14	1,511	50	1,563	483
Bihor	3.54	3.66	272.96	41	10	0	51	20	1,725	44	1,807	355
Bistriţa - Năsăud	2.16	0.62	57.77	24	4	0	38	12	1,050	25	1,176	238
Botoşani	1.19	3.47	31.81	29	3	0	52	8	1,117	36	1,086	312
Braşov	0.92	1.44	234.30	23	4	0	53	13	1,667	46	1,689	374
Brăila	0.12	0.52	136.69	16	1	0	18	11	879	24	911	206
Buzău	0.54	3.76	267.44	34	5	0	38	14	1,251	34	1,247	338
Caraş - Severin	0.08	2.18	85.36	28	5	0	33	11	872	22	885	267
Călăraşi	0.77	1.90	52.76	21	1	0	31	11	882	20	886	248
Cluj	5.05	29.09	351.13	36	9	1	53	20	2,360	52	2,604	573
Constanţa	3.38	13.38	165.93	29	20	0	25	18	2,088	50	2,227	557

Covasna	1.65	1.80	62.92	24	8	0	28	11	599	18	622	166
Dâmbovița	2.53	4.38	49.63	30	4	0	30	16	1,363	36	1,332	386
Dolj	1.06	5.08	272.39	37	1	1	8	18	1,755	48	1,804	476
Galați	0.43	0.71	13.54	21	14	0	45	13	1,599	39	1,543	335
Giurgiu	0.73	3.59	132.11	20	17	0	20	10	906	16	919	220
Gorj	2.32	5.45	207.75	28	3	0	26	13	1,005	26	1,025	352
Harghita	1.10	3.80	135.22	28	2	0	69	13	898	27	925	249
Hunedoara	1.65	3.42	148.22	29	8	0	30	15	1,309	31	1,303	362
Ialomița	0.77	0.71	12.42	23	1	0	29	10	700	19	688	217
Iași	1.75	2.92	90.06	34	7	0	27	22	2,104	63	2,171	559
Ilfov	0.24	3.56	508.92	18	8	0	11	10	1,723	22	1,876	321
Maramureș	4.35	4.56	44.52	32	0	0	51	12	1,446	38	1,469	366
Mehedinți	1.12	2.16	32.04	21	0	0	32	6	1,000	21	995	230
Mureș	5.11	3.67	45.80	41	6	1	75	18	1,539	42	1,580	467
Neamț	1.18	4.55	42.69	30	2	0	35	12	1,296	38	1,270	389
Olt	0.49	2.11	138.21	33	1	0	32	12	1,320	29	1,368	377
Prahova	9.60	4.65	203.85	33	4	0	42	21	1,866	50	1,931	606
Satu Mare	0.96	1.25	110.02	21	1	0	26	8	1,025	26	1,000	307
Sălaj	1.59	4.09	66.89	26	2	0	36	9	751	21	763	218
Sibiu	2.77	4.56	148.52	26	6	1	29	18	1,328	36	1,442	296
Suceava	15.76	5.05	184.57	44	2	1	69	15	1,885	63	1,981	499
Teleorman	2.12	9.05	61.59	34	2	0	45	12	1,016	24	974	303
Timiș	3.44	3.80	180.25	39	3	0	40	19	2,133	47	2,293	622
Tulcea	1.75	3.80	14.15	18	14	1	33	11	964	15	905	230
Vaslui	0.23	2.43	31.07	31	1	0	61	12	1,327	36	1,354	379
Vâlcea	1.47	0.92	353.08	32	3	0	50	15	1,194	29	1,212	366
Vrancea	3.30	2.41	60.76	27	1	0	32	12	948	26	959	306
Bucharest	15.18	18.68	2155.82	25	14	0	27	43	9,557	217	9,901	1,411
TOTAL	114.88	187.08	7,399.98	1,218	208	6	1,574	600	63,914	1,606	65,973	16,110

Figure 3 illustrates the main result indicators (additional income and prejudicial findings) of RCoA's Chambers of Accounts, as reported in their Local Public Finance Reports for 2019. As previously stated, we considered an equal impact on the public finances for both findings that result in additional income and those signaling illegal disbursements.

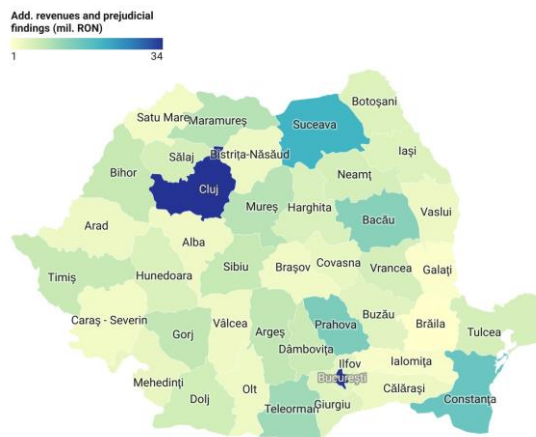


Figure 3 – The main result indicators (additional income and prejudicial findings) of RCoA's Chambers of Accounts – for 2019

From this standpoint, the research results indicate that in 2020 (for the 2019 financial year), the most significant financial impact of the RCoA’s audit activity, from the perspective of the aggregated result indicators (additional revenues and prejudicial findings), was identified for the Cluj and Bucharest Chambers of Accounts (34.14 mil. RON, respectively 33.85 mil. RON), while the lightest impact was highlighted in the case of Brăila, Galați and Ialomița Chambers of Accounts (0.64 mil. RON, 1.14 mil. RON, respectively 1.48 mil. RON). Also, the research results indicate that the mean aggregated result indicators for all 42 territorial RCoA structures is 7.19 mil. RON.

For the correlation analysis between the three reference pillars (additional income, prejudices and financial and accounting irregularities) and the intrinsic and extrinsic variables presented in Table 2, we used the Pearson correlation coefficient, the results being presented in Table 3. Additionally, we sought to gain perspective on the Chamber of Accounts sizing by reference to the audited local budgets.

The additional income stemming from the local budget audits in 2020 was found to be moderately and positively correlated (Adams & Lawrence, 2018) with the number of financial audits conducted by each Chamber of Accounts ($r(40) = 0.409$, $p = 0.007$). Conversely, no significant correlation was identified with the number of compliance audits ($r(40) = 0.139$, $p = 0.381$) and performance audits conducted ($r(40) = 0.297$, $p = 0.056$). Summarizing the findings, we can conclude that the additional income resulting from the local budget examination is positively correlated with the number of financial audit engagements each Chamber of Accounts plans and executes, while the number of compliance and performance audit missions do not significantly influence this result indicator’s dynamic.

The additional income is strongly and positively correlated with the audit-specific staff employed by each Chamber of Accounts ($r(40) = 0.656$, $p = 0.000$). However, considering the finite budgetary resources examined and the auditees’ tendency to improve on their financial management due to previous audit findings, we believe that an experimental research would highlight a non-linear relationship, as the marginal result per each supplemental auditor would tend to decrease.

Table 3. The results obtained from the correlation analysis between the indicators used to quantify the financial impact of RCoA’s territorial structures’ activity and the intrinsic and extrinsic variables

Indicators		Additional incomes	Prejudices	F&A irregularities	Financial audit	Compliance audit	Performance audit	Transfers to the subordinate entities	Audit staff	Total revenues	Decentralized VAT funding	Total expenses	Staff expenses
Additional income (mil. RON)	<i>r</i>	1	.466	.556	.409	0.139	0.297	.304	.656	.654	.718	.658	.721
	Sig. (2-tailed)		0.002	0.000	0.007	0.381	0.056	0.050	0.000	0.000	0.000	0.000	0.000
	N	42	42	42	42	42	42	42	42	42	42	42	42
Prejudices (mil. RON)	<i>r</i>	.466	1	.514	0.244	.387	.332	0.074	.569	.566	.537	.578	.605
	Sig. (2-tailed)	0.002		0.001	0.119	0.011	0.032	0.642	0.000	0.000	0.000	0.000	0.000
	N	42	42	42	42	42	42	42	42	42	42	42	42
F&A irregularities (mil. RON)	<i>r</i>	.556	.514	1	-0.036	.324	-0.008	-0.146	.784	.944	.894	.944	.827
	Sig. (2-tailed)	0.000	0.001		0.822	0.036	0.958	0.358	0.000	0.000	0.000	0.000	0.000
	N	42	42	42	42	42	42	42	42	42	42	42	42
Audit staff	<i>r</i>	.656	.569	.784	.371	.408	0.164	0.012	1	.873	.891	.878	.913
	Sig. (2-tailed)	0.000	0.000	0.000	0.016	0.007	0.300	0.942		0.000	0.000	0.000	0.000
	N	42	42	42	42	42	42	42	42	42	42	42	42

Furthermore, when examining the extrinsic variables, the research results highlight that the additional income is strongly and positively correlated with the local budget’s total revenues ($r(40) = 0.654$, $p = 0.000$) and even more, with the VAT allocated to local budgets to fund decentralized activities ($r(40) = 0.718$, $p = 0.000$). These results show that the internal controls generally do not function as expected in locally funded entities, so they cannot limit the deviations from legality and regularity. Ideally, as the auditees’ budget increases, a more elaborate internal control - either managerial, preventive financial control or internal audit - would be expected, and as a result, a curbed yield in audit findings value. This conclusion is even more apparent with the stronger positive correlation between additional revenues and VAT allocated to local budgets to fund decentralized activities, since such funds are generally allocated with preponderance to local administrative powerhouses that

accommodate the state's decentralized activities. Although significantly better situated, these counties do not boast a better public funds management, with their internal controls not providing enough leverage for healthier finances.

Concerning the prejudices instrumented by RCoA's territorial structures based on the local budgets' audits conducted in 2020 (for 2019), the research results highlight a moderate positive correlation with the number of compliance audit missions ($r(40) = 0.387$, $p = 0.011$). Conversely, correlated with the number of financial audit missions the results highlight a weaker correlation ($r(40) = 0.244$, $p = 0.119$). The results illustrate that the Romanian SAI's territorial structures tend to yield more significant results concerning prejudices when conducting more compliance audits rather than the mandatory financial audits with a periodicity of 3 years. This trend can be explained by the more focused and particular approach allowed by compliance audits, rather than the all-encompassing setting of financial audits, that aim to reach the multitude of objectives set by RCoA's regulatory framework. The compliance audits are generally aimed at specific aspects regarding the management of public funds and assets or can be set off by mass media reports and the SAI's or society's concerns regarding particularities of public management. As a result, they can be more flexible in honing mismanagement of public funds or assets, with the downside of not being well suited to offer the same levels of general assurance as financial audits.

From a diametrically opposite perspective, the prejudice result indicator has effectively no correlation with the examination of transfers to subordinate institutions occurring during financial audit engagements ($r(40) = 0.074$, $p = 0.642$), leading us to conclude that expanding the scope of the audit to subordinate institutions does not generally yield prejudicial findings, as the time allotted for these examinations is deducted from that programmed for the main auditee.

As expected, the prejudicial findings are strongly correlated with the audit staff available within RCoA's territorial structures ($r(40) = 0.569$, $p = 0.000$), making the analysis on the adequate sizing each Chamber of Accounts even more significant.

Regarding the financial and accounting irregularities, the research results disprove the existence of a correlation in relation to the number of financial audit engagements ($r(40) = -0.036$, $p = 0.822$), performance audit engagements ($r(40) = -0.008$, $p = 0.958$) and the number of examinations of transfers to subordinate entities ($r(40) = -0.146$, $p = 0.358$). Conversely, financial and accounting irregularities were found to be in a moderately positive correlation ($r(40) = 0.324$, $p = 0.036$) with the number of compliance audits conducted by the territorial structures of the Romanian SAI and in a strong positive correlation ($r(40) = 0.784$, $p = 0.000$) with the number of audit staff available.

When analyzing the relationship with extrinsic variables, an identical, positive and strong correlation was observed between the financial and accounting irregularities and both total revenues and total expenses ($r(40) = 0.944$, $p = 0.000$), further underlying the lack of effect for the internal controls employed by auditees.

Our research also envisaged the correlational analysis between the Chambers of Accounts audit staff and the total revenues and expenses of the audited local budgets. Based on the obtained results, we can conclude that, given the strong positive correlation between the audit staff employed, on the one hand, and the total budgetary revenues ($r(40) = 0.873$, $p = 0.000$) and the total budgetary expenses ($r(40) = 0.878$, $p = 0.000$), on the other hand, the Chambers of Accounts are, in general, adequately sized in relation with the local budgets' revenues and expenses. However, given our earlier findings regarding the strong positive correlation between the audit staff and all three results indicators analyzed, we appreciate that an incremental increase in the Chambers of Accounts' personnel would benefit the Romanian SAI's results and performance.

V.CONCLUSIONS

The conducted research allowed us to analyze the financial impact of the external audit missions carried out by the Romanian SAI.

Based on the research results, we can conclude that, although not specifically defined by the regulatory framework, classifying RCoA's findings using the three reference pillars (prejudices, additional income and financial and accounting irregularities) allows stakeholders to obtain a clear image of the financial impact of the Romanian SAI's external public audit activity at a certain moment.

Concerning the correlational analysis regarding RCoA's result indicators, our research highlighted that the additional income resulting from the local budget examination is correlated with the number of financial audit engagements each Chamber of Accounts plans and executes. In contrast, the number of compliance and performance audit missions do not significantly influence this result indicator's dynamic.

Furthermore, we found that the internal controls generally do not function as expected in locally funded entities, so they cannot limit the deviations from legality and regularity. This conclusion is even more apparent when analyzing VAT allotments for decentralized activities, since such funds are generally allocated with a preponderance to local administrative powerhouses that accommodate the state's decentralized institutions.

Although significantly better situated, these counties do not boast a better public funds management, with their internal controls not providing enough leverage for healthier finances. An identical conclusion stemmed from the analysis of financial and accounting irregularities, that were found to be strongly correlated with both total revenues and total expenses of local budgets.

With regard to prejudicial findings, the undertaken research allowed us to conclude that the Romanian SAI's territorial structures tend to yield more significant results concerning prejudices when conducting more compliance audits rather than the mandatory financial audits (conducted with a periodicity of 3 years) and, additionally, that expanding the scope of the audit to the subordinate institutions does not generally yield additional prejudicial findings.

With regard to the correlational analysis between the Chambers of Accounts audit staff and the total revenues and expenses of the audited local budget, we can conclude that RCoA's territorial structures are, in general, adequately sized in relation with the local budgets' revenues and expenses. However, given our earlier findings regarding the strong positive correlation between audit staff and all three results indicators analyzed, we appreciate that an incremental increase in the Chambers of Accounts' personnel would benefit the Romanian SAI's results and performance.

The main research limitations refer to the lack of data regarding the Chambers of Accounts' result indicators when examining decentralized institutions, since such results are summarized at the central level and do not allow for a more granular analysis. Additionally, although the correlational research employed the whole population (all 42 RCoA territorial structures), there is a potential risk that certain singular, 2019 – specific events could have influenced RCoA's result indicators.

The research on SAIs' financial impact on the public sector's resources is ample and several more avenues should be pursued. As future research dimensions, we are considering an European perspective on measuring SAIs' results, a detailed analysis regarding the implementation degree of SAIs' recommendations and, also, a more extended longitudinal correlational analysis, allowing for auditees' clustering, based on their financial, internal control and audit findings.

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