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The introductory references to the content of this publication synthesize the subject matters approached, in an attempt to complete the image of the external public auditor profession, that of a guardian of Romanian citizens’ financial interests.

The publication tackles a wide range of themes which can gratify the interest of consumers of professional information specific to the Court of Accounts’ scope of activity.

Consequently, a number of articles published in this sixth issue of the Magazine of the Court of Accounts aim at making visible, within the public environment, the role of internal control – a dynamic process which needs to be integrated in the infrastructure of each entity managing public resources.

Moreover, in this publication, we were concerned to also promote subjects attempting to familiarize us with the European Union cohesion policy and the associated financial instruments, which can be implemented through a variety of governance models and legal structures, specific to member states or to regions within the Community area. Why this concern? The answer to this question is to be found in the organic law of the Court of Accounts, which provides for our institution – by the intermediary of the Audit Authority – competences in the field of external audit of pre- and post-accession funds granted to Romania in its capacity as a member state of the European Union. In this context, we considered it relevant to present new ways of support from the European Union, known as forms of “intervention” – a concept defining a further generation of innovative financial instruments, such as “equity platforms” or “debt platforms of the EU”, in relation to which the Court of Accounts has verification competences.

The publication did not ignore either a very topical issue, that of environmental auditing, respectively the activity of the Working Group on Environmental Auditing (WGEA) – established within the framework of the International Organisation of Supreme Audit Institutions (INTOSAI), so as to identify ways to improve the capitalisation of the audit mandate and instruments in the field of environmental protection policies.

In this same issue, the Magazine of the Court of Accounts also forays into the legal field, allotting an ample space to the topic of active procedural capacity in the litigations deriving from the activity of our institution, but I leave it to our readers to enjoy discovering the complexity of this topic.

I am persuaded that the freshly printed issues shall elicit the interest of the constant readers of our magazine and I take this opportunity to extend in advance my thanks to those who have the kindness to go through these texts and forward us suggestions for the future issues.
1. BACKGROUND

One of the main objectives of the Cohesion Policy for the current 2007–2013 programming period is the Convergence Objective that targets the member states and the less developed regions and focuses on innovation and knowledge society, adaptability at economic and social changes and on environment quality and administrative effectiveness. This objective is financed from the Structural and Cohesion Funds, respectively from the European Regional Development Fund (ERDF), European Social Fund (ESF) and Cohesion Fund (CF).

Along with these funds providing non-refundable financing directly to final beneficiaries, financial instruments providing reimbursable financing were also created which indirectly address the final beneficiaries. These are known as financial engineering instruments.

The European Commission Cohesion Policy has underlined since its beginning the importance of improving access to finance for the development of small and medium enterprises (SMEs) and referred, in particular, to the need to increase support for both SMEs and to start-up companies and micro enterprises, through technical assistance, grants and other instruments such as classical loans on favourable terms, venture capital or guarantees, while highlighting the added value of taking such actions. Such financial instruments for achieving the objectives of Cohesion Policy have been proposed in cooperation with the European Investment Bank (EIB) and European Investment Fund (EIF).

The European Commission and the European Investment Bank Group and other financial institutions have developed in this respect within the 2007-2013 period four joint initiatives. Two of these initiatives relate to the promotion of financial engineering instruments (JEREMIE and JESSICA) and the other two (JASPERS and JASMINE) work as technical assistance tools.

The European Investment Bank plays such an important role in the co-financing of structural and cohesion funds and in supporting EU member states by financing projects for infrastructure development and other types of investments framed within the objectives of national policy and of the European Union. The EIB is also directly involved in the financing facilities through the financial instruments JASPERS, JASMINE, JESSICA and JEREMIE through its subsidiary, the European Investment Fund (EIF).

As the users familiarize with these types of support from the European Union and following the evaluation of the effects in the economy, the role of these innovative financial instruments tends to become increasingly important at European Commission level, with the intention of increasing their role in the following programming period 2014-2020. However, this tendency to increase the use of innovative financial instruments shall not replace the grant, as the latter is necessary in a number of areas, and therefore the aim is to complete the grant by supporting projects fulfilling EU policy objectives by means of other forms of interference.

1 Commission Communication of July 2005 “Cohesion Policy in support of growth and creating jobs, Community Strategic Guidelines, 2007-2013”
2 Commission communication to the European Parliament and the Council - A framework to the new generation of innovative financial instruments – platforms equity and debt platforms of EU
Within the context of a dynamic cohesion policy underlain by such uncertain economic climate as the current one, the financial engineering instruments should be seen as part of a strategy to achieve the objectives of cohesion policy together with the non-refundable Structural Funds, aimed at promoting sustainable long economic growth of the regions of Europe.

The Member States and the Managing Authorities have the opportunity to use some of the grant resources made available by the European Union through ERDF and ESF to promote financial engineering instruments.

Thus, through these financial engineering instruments, part of ERDF/ESF resources can be used to grant refundable support to private beneficiaries, in particular SMEs, but also to self-employed professionals or socially disadvantaged people, both for development of their own business and for urban development or investments in increasing energy efficiency and in renewable energy.

The most common way of implementing these financial engineering instruments at the Member States’ level, is either through lending instruments (loans and guarantees) as a Guarantee Fund/Fund Loan, or through own equity instruments as a Venture Capital Fund.

Financial instruments may be implemented through a variety of governance models and legal structures specific to each Member State or each region.

Thus a Member State or a region may either choose to invest a part of an operational program resource directly in specific instruments such as Guarantee Funds, Loan Funds, Hedge Funds, Urban Development Fund, or indirectly through a Participation Fund established to invest the grants received from EU through various specific instruments.

If a Member State chooses to invest directly in specific tools developed by financial intermediaries, the Managing Authority has the role of evaluation and selection of financial intermediaries and management of resources for the financial engineering instruments.
If the Managing Authority chooses a Participation Fund, it shall transfer the funds representing both the EU contribution (from ERDF/ESF) and related national contribution in the account of the Participation Fund.

It is the Participation Fund that manages all resources dedicated to financial engineering instruments and launches expressions of interest for the selection of financial intermediaries. The selected financial intermediaries shall make available to the final beneficiaries the loan or equity financial products, advantageous over similar products that do not receive the support of innovative financial instruments such as those conducted through the Structural Funds.

Whatever the option of the Member State, the implementation of financial instruments follows the legal and logical framework of the Cohesion Policy and of shared management and the principle of subsidiary, assisting in the achievement of the objectives set on the level of certain priority axis and, implicitly, of the Cohesion Policy’s specific objectives.

In both cases the legal framework applicable to financial engineering instruments is ensured both by the General Regulation EC no 1083/2006 on the Structural and Cohesion Funds and through the agreements concluded between the main actors involved in the development of each type of intervention as well as through specific national legislation.

Fig.1 – Implementation options for financial engineering instruments (option 1 – through a participation fund, option 2 – directly through financial intermediaries)
Until the end of 2011, at EU level (except Ireland and Luxembourg) a number of 592 financial engineering instruments were set up and managed through 68 participation funds and 524 specific funds, implemented through 178 operational programmes.

The 68 participation funds managed over half of the financial resources allocated to engineering instruments.

At EU level, the allocated financial support through financial instruments aims mainly at supporting companies (approx. 80% of funds), urban development (approx. 14%) and energetic efficiency and renewable energy, as shown in the table below:

<table>
<thead>
<tr>
<th>Areas of Intervention</th>
<th>Total allocation at UE level -millions of euros-</th>
<th>Total allocation at UE level %</th>
<th>EU co-financing form structural funds (ERDF + ESF) -millions of euros-</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support for SME (JEREMIE through ERDF)</td>
<td>8,903</td>
<td>79,71%</td>
<td>5,753</td>
</tr>
<tr>
<td>Urban development (JESSICA through ERDF)</td>
<td>1,533</td>
<td>13,73%</td>
<td>1,075</td>
</tr>
<tr>
<td>Energy effectiveness and renewable energies (JESSICA through ERDF)</td>
<td>345</td>
<td>3,09%</td>
<td>250</td>
</tr>
<tr>
<td>Assistance and financial aid for non banking micro-credit bodies that provide credits for socially excluded persons, unemployed, minorities, women, freelancers (JASMINE through ESF)</td>
<td>388</td>
<td>3,47%</td>
<td>288</td>
</tr>
<tr>
<td>TOTAL</td>
<td>11,169</td>
<td>100%</td>
<td>7,366</td>
</tr>
</tbody>
</table>

Table 1 — Allocation related to financial engineering instruments, at EU level, for the programming period 2007-2013

As the importance of financial engineering instruments is constantly increasing, in order to ensure an adequate monitoring thereof, the EC officially enforced, starting with 2012, on managing authorities within member states, to include in their annual implementation reports submitted to the EC, based on EC regulation applicable to structural and cohesion funds, information related to the implementation status of financial instruments at the level of each member state.

3. MAIN CHARACTERISTICS FOR FINANCIAL ENGINEERING INSTRUMENTS

The financing of EU budgetary expenditure with the help of innovating financial instruments (other forms of intervention than non refundable financing) is not something new, considering that the use of these instruments for the first time dates as early as more than 10 years ago. Starting with the programming period 2007-2013, the financial engineering instruments are part of the strategy for the implementation of operational programmes agreed between EC and MS.

The innovating financial instruments are currently strongly related to strategic documents for shaping future EU financing, offering a new and important financing flow of strategic investments, thus supporting long term sustainable investments in the current context of fiscal restraints.

The 2020 Europe Strategy stipulates a greater mobilization of innovating financial instruments, as part of a coherent financing strategy, by pooling the financing granted by the EU, the financing from the national public sector and from the private sector, in order to achieve the objectives of the strategy for a smart and sustainable growth and in favour of the inclusion. Therefore, the innovating financial instruments should be seen as ways to complete interventions with non refundable financing, aiming to create conditions of development by supplying concrete financial aid proactively even before the business community acknowledges the potential.

1 EC, DG Regio, DG Employment – Executive report on the progress in financing and implementing financial engineering instruments co-financed from Structural Funds, status at 31.12.2011
2 According to art. 67(2) (j) of EC Regulation no. 1083/2006
3 Commission communication to the European Parliament and to the Council – A framework to the new generation of innovating financial instruments – equity platforms and debt platforms of the EU
For projects with long term commercial potential, the tendency is to use the EU funds in partnership with the banking financial sector, especially EIB or others international financing bodies (IFI) and with the private financial sector.

This ensures a strong combination of professional experience and knowledge from these bodies and the Commission services in drafting and implementing programmes in order to achieve the EU’s objectives. In addition, a rigorous design of financial instruments with help from the financial bodies in partnership with the Commission reduces the risks related to implementation and promotes the achievement of policy objectives related to the instruments.

Financial engineering instruments allow especially:

- To increase the capacity of the private sector to generate growth, jobs, social inclusion and innovation, aiding in particular the new companies, SME, micro-companies, social companies, investments in human capital, research institutions, commercial/scientific parks, knowledge /technology transfer or investments in intellectual property rights;
- To build infrastructure with a flow of allocated income, using adequate financing structures such as PPPs, in order to consolidate competitiveness and sustainability of the EU in fields like transport, environment, energy and digital infrastructure;
- To support mechanisms that mobilize private investments, in order to supply public services, such as climate and environment protection.

The main advantages for using financial instruments, in comparison to non reimbursable funds are:

1) Recycling of funds – an important advantage of the JEREMIE initiative in comparison to non reimbursable funds is its capacity to ensure the renewal of funds (revolving type) by allowing the possibility of performing other investments within the SME’s sector. A recycling effect is obtained during the innovating financial instrument life cycle, when the capital reimbursement or interests, as well as cashing following investments, are used again for the purpose of the instrument. This “repetitive” character extends considerably the scope of instruments;

Unlike non reimbursable funds, when financial instruments involve investing funds committed by the EU, budgetary contribution can generate incomes, such as interests or efficiency of the invested capital. At the end of the existence of the instrument, the initial investments’ reimbursement, to which possible resulted benefits are added, will return to the general budget, which will have positive effects also on the global return of the intervention and thus, the supporting SME through European structural funds has a sustainable character.

2) High flexibility – Management Authorities (MAs) benefit from more flexibility in allocating resources to stimulate the SME sector and can also determine an optimization of funds and a mitigation of risks following the diversification of supplied products. In addition, it allows the extension of expenditure eligibility conditions;

3) Mitigated risks for the EU budget – budgetary expenditure through financial instruments does not involve a financial risk higher than through non reimbursable financing, since the design and the contractual structure of financial instruments guarantee that the risk for the EU budget is limited, in all cases, to budgetary contribution.

4) Capacity to multiply – another significant advantage of the JEREMIE initiative is the characteristic of this type of intervention to involve the private sector since it allows combining public JEREMIE funds with other resources, especially from the private sector. Thus JEREMIE has the potential capacity to involve the financial sector through a participation fund powered also by public capital as well as additional capital from financial bodies. In order to have access to EIF sources, financial intermediaries themselves should identify the amounts that can be added to the amounts allocated through EIF, ensuring in the end an increase of the efficiency and effectiveness of public resources allocated to a financial engineering instrument

5) Increased performance and financial discipline – Financial discipline is promoted through the potential to align the implementing regulatory frameworks, managing principles and best practices, as well as setting up performance indicators. The MS can benefit from the knowledge of EU bodies related to projecting financial products, as is the case for guarantee fund bodies, which may be absent at the level of certain MS. The presence of a European guarantee/counter-guarantee either gives the possibility that recent guarantee institutions increase volumes even from their initial phase, or facilitates creating such systems, thus bringing a considerable contribution when “setting up institutions”.

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7 Study ordered by the Budget Commission of the European Parliament: “The influence of EIB and EBRD co-financing on the EU budget”, May 2011
8 Commission Communication to the European Parliament and to the Council – A framework to the new generation of innovating financial instruments – equity platforms and debt platforms of the EU
The financial engineering instruments and their role in implementing the cohesion policy of the European Union

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6. European Investment Fund – Handbook of JEREMIE Holding Fund operations;
7. Financial Instruments Overview of Delegations' Comments on CPR Regulation no 615(2011) Regulation of the European parliament and of the council laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund covered by the Common Strategic Framework and laying down general provisions on the European Regional, Development Fund, the European Social Fund and the Cohesion Fund and repealing Council Regulation (EC) no 1083/2006);
8. Cohesion Policy of European Union for the programming period 2007-2013;
9. Cohesion Policy and Europe 2020 Strategy;
10. National Strategic Report 2012 drafted by the Ministry of European Affairs with management authorities under Art. 29 of EC Regulation no. 1083/2006 imposing obligation on Member States to submit to the European Commission by the end of 2009 and 2012, a report containing information on the implementation of operational programs 2007-2013 co-financed through structural instruments;
11. Annual Implementation Report 2001 on implementation of Operational Programme Increase of Economic Competitiveness JEREMIE Initiative;
12. JEREMIE 2011 Annual Progress;
18. Management and control systems and financial management – overview of delegations' comments on CSF Regulations;
19. Study conducted by the Commission for the European Parliament's, Budgets Committee, "The Implications of EIB and EBRD co-financing for the EU budget", May 2011.

Websites:

www.ec.europa.eu
www.eib.org
www.eif.org
www.fonduri-ue.ro
The International Organization of Supreme Audit Institutions (INTOSAI) is the professional organization of supreme audit institutions (SAIs) in countries that belong to the United Nations or its specialized agencies. INTOSAI was founded in 1953 and has grown from the original 34 countries to a membership of over 180 SAIs.

The Working Group on Environmental Auditing (WGEA), under the International Organization of Supreme Audit Institutions (INTOSAI), aims to improve the use of audit mandate and audit instruments in the field of environmental protection policies, by the members of the Working Group and by non-member Supreme Audit Institutions (SAIs).

The way that INTOSAI promotes the exchange of ideas and experiences among SAIs around the world is through triennial Congresses (International Congress of Supreme Audit Institutions - INCOSAI) and annual meetings.

In recent years, the countries that have hosted previous INTOSAI-WGEA meetings were:

- Argentina, in November 2011, the 14th Meeting of INTOSAI WGEA (WG14);
- China, in June 2010, the 13th Meeting of INTOSAI WGEA (WG13);
- Qatar in January 2009, the 12th Meeting of INTOSAI WGEA (WG12).

The 15th meeting of the INTOSAI Working Group on Environmental Auditing (WG15) was held on 3-6 June 2013, in Tallinn, Estonia.

The meeting was attended by 72 SAIs which were represented by:

- heads of Supreme Audit Institutions (general auditors, lead auditors) and
- SAIs full Courts members, heads of departments, managing directors, directors, auditors etc.

At the 15th meeting of the INTOSAI WGEA (WG15) also attended as special guests: Mr. John Reed vice-president of the Canadian Institute for Research and Education, Ms Keit PENTUS-Rosimannus - Minister of Environment in Estonia, Mr. Gijs de Vries - member of ECA, Mr. Tassilo von Droste - consultant to the German Society for International Cooperation, Ms Shefali S. Andaleeb - Deputy Director General of INTOSAI Development Initiative, Jean Cinq-Mars - Commissioner for Development sustainable Quebec region, in the Office of the Auditor General of Quebec, Canada, Mr. Arnold Kreihuber - legal consultant and Mr. Andres Tarand - Estonian politician, a member of the European Parliament - the United Nations Environment Programme.

The Romanian Court of Accounts, in accordance with Plenum Decision no. 95/27.03.2013, was represented by:

- Mr. Dumitru Alămîie, counsellor of accounts, Head of IX Department and
- Ms Motoc Andreea-Elena, external public auditor, IX Department.
The main objectives of this meeting were:

1. Adoption of the projects that were conducted under the Work Plan for 2011-2013;
2. The final draft Work Plan for 2014-2016;
3. Presentation of project results which were held under the chairmanship of Estonia Working Group on Environmental Auditing of INTOSAI;
4. Takeover of the Presidency of INTOSAI-WGEA by the Supreme Audit Institution of Indonesia.

The agenda also included several debates, workshops and tutorials on relevant environmental issues. There were also a number of sessions of meetings (workshops and working groups) focusing on the latest developments in public environment audit practice and challenges and successful results of SAIs that carry out environmental auditing.

Since the work plan for 2011-2013 of the INTOSAI-WGEA is nearing completion, the meeting finalized draft research papers, guides, and other documentation which were compiled jointly by members of the Working Group.

Thus, one of the objectives of the meeting was to share experience and knowledge obtained following completion of the projects, through presentations that were made by representatives of SAIs who attended this meeting.

Following project completion and adoption of the Work Plan for 2011-2013, the final version of the guidelines, research projects and other documents were made available to SAI for use. In this context, it is noted that all the above mentioned documents will be available in English on the website [http://www.environmental-auditing.org/Home/NewsEvents.aspx](http://www.environmental-auditing.org/Home/NewsEvents.aspx).

### INTOSAI-WGEA Work Plan

For the period 2011-2013, the INTOSAI-WGEA Work Plan provided the development and implementation of the following projects:

- research project on land use and land management practices (led by Morocco);
- research project on environmental data (led by Canada and the U.S.);
- research project on environmental and sustainability reporting (led by Finland);
- research project on environmental issues associated with infrastructure (NAO-led United Kingdom);
- research project on the impact of tourism on wildlife (led by Lesotho);
- Updating guidance material regarding the water audit 2004 (GAO-coordinated U.S.);
- guidance on integration issues of fraud and corruption in the practice of environmental auditing (coordinated by SAI Norway);
- training modules on forest and mining audit (conducted by SAIs in Indonesia and Tanzania);
- establishment of a training centre worldwide regarding environmental auditing (in collaboration with India);
- WGEA study environmental auditing and collection of annual environmental audit results at international level (coordinated by SAI Estonia.)

After the adoption of the draft regarding the Work Plan for the period 2011-2013, projects that will be part of the Work Plan for the years 2014-2016 were discussed. The INTOSAI WGEA suggested develop/update several projects in the next three years, including:

1. Update of the Guidance on waste management audit, prepared by the INTOSAI-WGEA in 2004;
2. Review of the four ISSAIs regarding environmental auditing, namely:
   - ISSAI 5110: Guidance on conducting audit activities with an environment perspective, 2001;
   - ISSAI 5120: Environmental audit and regularity audit, 2004;
   - ISSAI 5130: Sustainable Development: The Role of Supreme Audit Institutions, 2004;
   - ISSAI 5140: Methods of cooperation between SAI in auditing international environmental agreements, 1998.
3. Development of the research projects, namely:
   3.1. Environmental risks and environmental responsibility of the State;
   3.2. Renewable energy;
   3.3. Energy Saving;
   3.4. Environmental assessments;
   3.5. Marine: Audit of administrative measures on climate change impacts on the marine environment, creative and innovative strategies used by the SAIs;
   3.6. The market-based instruments for protection (and management) of the environment;
   3.7. “Greening” of Supreme Audit Institutions.
An important part of the meeting was the presentations made by some SAI’s on the successful practices and challenges faced in environment audit which they carried out. There were presentations made by SAI Estonia, SAI China, SAI France and SAI Bhutan, the last one providing a broad description of the risks identified in the mine audit. In this context, we believe that the presentations mentioned could serve as examples to be followed regarding the structure presentation.

On 5th of June, the Romanian Court of Accounts has also presented in the plenary session, the international environmental audits attended in previous years, namely:

1) Compliance audit regarding the provisions of the Danube Convention on cooperation for the protection and sustainable use of the Danube River (2004, 2006). This Convention was signed in Sofia on 29 June 1994, ratified by Law no 14 of 24 February 1995;
2) Compliance audit regarding the provisions of the Convention for Protection the Black Sea against Pollution (2006, 2007, 2010, 2011). This Convention was signed in Bucharest in April 1992, by the representatives of Romania, Bulgaria, Georgia, Russian Federation, Turkey and Ukraine (which are Parties to the Convention).

It was highlighted the performance audit findings regarding “Patrimonial situation of forests in Romania between 1990-2012” and the issue of the Guidance on conducting the environmental audit.

All presentations will be made public on the official website of the INTOSAI Working Group on Environmental Auditing-http://www.environmental-auditing.org/.

The Romanian Court of Accounts prepared and presented three posters with suggestive images regarding biodiversity and the environment protection, in which it was reflected specific aspects of the Danube Delta, Carpathians mountains, and the Black Sea.

At the meeting, the Secretariat of INTOSAI-WGEA announced that from 25 November to 11 December 2013 will be held the first training course in environmental auditing, in English, organized jointly by the Global Training Project and SAI of India.

The course is open to anyone interested in conducting environmental audits, namely to the execution and management staff of INTOSAI, the time limit for participation in the end of July 2013. Courses will be held in the new “International Centre for Environment Audit and Sustainable Development” opened in the city of Jaipur, India.

In the closure meeting, it was held the ceremony regarding the surrender of the INTOSAI-WGEA Presidency by SAI of Estonia and takeover by SAI of Indonesia, which will be responsible for coordinating all projects in the work plan for the years 2014-2016.

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In the context of the audit practices presented by representatives participating sites and given the importance of the subject and the need to adjust to the best practices of other SAI was submitted for approval Plenum, conducting audits, with the theme:

- Audit of contaminated sites;
- Audit of waste management at national level;
- Expanding performance audit on “Conservation of biodiversity of forest ecosystems, the state, development, management and administration of national forests”.

In this regard, the management of the IXth Department will develop the amendment and completion of the Activity Program for 2013, accordingly to the Methodology of the development, modification and follow-up of the Activity Program of the Romanian Court of Accounts, approved by Plenum Decision No 91/21.07.2009.
Participation of the Romanian Court of Accounts in the 15th meeting of the INTOSAI Working Group on Environmental Auditing (WG15)
The issue of active procedural capacity in the disputes deriving from the activity of the Court of Accounts started to have consistency once the Romanian Constitution has been reviewed in the year 2003 and, accordingly, the Law no. 94/1992 on the organization and operation of the Court of Accounts has been changed.

If in the year 1864, when it was established, the Ruler Alexandru Ioan Cuza conceived it as a modern institution to exercise the control of public finances, the subsequent legislative developments shaped its organization and functioning according to the historical and political events of the years that followed.

Returning to the Romanian Constitution reviewed in the year 2003, one can notice that the change of the art. 139 of the Romanian Constitution of 1991, involving the removal of the jurisdictional responsibilities, was a new chapter on the organization and functioning of this fundamental institution of a state (subject to the rule) of law/constitutional state. Also, the establishment in the Constitution of the special administrative jurisdictions in the 4-th paragraph of the article 21, and the declaration of those as being optional and free of charge, marked a new stage in the administrative reports.

In this way, the provisions of the art. 52 par.(1) and art.126 par.(6) of the Romanian Constitution establishes expressly, nowadays, the principle according to which the administrative act is subject to judicial review by the administrative courts.

The historical context represented by the accession negotiations of Romania to the European Union determined the review of the Fundamental Law, meaning that the disputes deriving from the activity of the Court of Accounts should be trialed by the specialized administrative courts. One can notice that even nowadays these constitutional provisions established in the art. 140 par. (1) second thesis of the Fundamental Law, have yet to find a development in an organic law, and so, have no practical application. In this way, the disputes deriving from the activity of the Court of Accounts are still trialed by the common administrative courts.

The provisions of the Law no.94/1992 on the organization and functioning of the Court of Accounts and of the Regulation on the organization and development of the Court of Accounts’ specific activities, as well as the follow up of the documents resulting from these activities, approved by the plenum of the Court of Accounts, in accordance with the provisions art.11 par.(2)-(3) and art.33 par.(1) of the Law no.94/1992, develop the constitutional provisions previously shown.

Through the Regulation on the organization and development of the specific activities of the Court of Accounts, as well as the follow up of the documents resulting from these activities, art. 174-229, it establishes a procedure of administrative appeal, by which one can admit the possibility of the higher organs of those who issued the attacked administrative acts to resize the measures taken, in accordance with the law. As such, we no longer have a judicial activity of the Court of Accounts, characterized by the trial of the disputes by an independent and impartial organ.

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2 Republished according to the art. IV of Law no.217/2008 on the change and complete of Law no. 94/1992 on the organization and operation of the Court of Accounts, published in the Official Journal of Romania, Part I, no.724 of October 24, 2008, giving the text a new numbering.
3 The Law on the establishment of the Court of Accounts, published in the Official Journal of Romanian United States, no.18 of January 24/ February 5, 1864.
5 The Regulation on the organization and development of the Court of Accounts specific activities, as well as the follow up of the documents resulting from these activities has been approved by the plenum of the Court of Accounts bill no.130 of November 4, 2010, published in the Official Journal of Romania, Part I, no.832 of December 13, 2010 and entered into force on January 1, 2011.
In the process of the follow up of the documents resulting from the Court of Accounts specific activities it has been established a prior administrative procedure as a mandatory condition, the nonperformance of which affects the exercise itself of the right of action in the administrative. In this way, against the audit report prepared by the external public auditors, the management of the verified entity may make objections within 15 calendar days from the date of registration at the entity or from the acknowledgment of its receipt (art. 120-122 of the Regulation).

In order to follow up on the findings listed in the audit report, the Court of Accounts structures issues a decision which may be appealed by the management of the verified entity within 15 calendar days from the date of the receipt (art. 204-210 of the Regulation). The commission for remedies issues a conclusion, which can order either the total or partial admission, or rejection of the appeal (art.211-226 of Regulation). Against the conclusion issued by the commission for remedies, the management of the verified entity may appeal the competent administrative court, within 15 calendar days from the acknowledgment of its receipt, in keeping with the Administrative law. In conclusion, the act appealed in court is the commission conclusion.

The settlement procedure of the appeal against the administrative acts issued by the county chambers of accounts is a prior administrative procedure. In any case, it does not meet the conditions provided by the art.21 par.(4) of Romania’s Constitution and by the art.6 of the Administrative law. The prior administrative appeal is a much faster way to restoration of legality, aimed to protect the Court of Accounts which, by following the findings listed in the audit report, the management of the verified entity may make the deficiencies strictly at its charge, it is natural that it may appeal the measures taken.

According to the provisions art. 227 of the Regulation, a law approved in accordance with the reference provision art. 11 par.(2)-(3) and art.33 par.(1) of Law no.94/1992, against the conclusion issued by the commission for remedies, the management of the verified entity (it and only it) may appeal the competent administrative court, within 15 calendar days from the acknowledgment of its receipt, in keeping with the Administrative law.

As we have shown previously, only the management of the verified entity may appeal the competent administrative court. The analysis of this law reveals that it is necessary to meet two essential conditions:

1. only the verified entity may appeal the administrative court the measures taken by the Court of Accounts and
2. of the verified entity, only the management may appeal the administrative court.

Regarding the first condition, this derives from a legal and logical analysis of the laws. In this way, according to the provisions art. 23-25 of the Law no.94/1992, the Court of Accounts performs the specific activities on certain categories of public entities, strictly stipulated by law, determined or determinable according to certain criteria. But, as long as the Court of Accounts conducts the control of the establishment, management and use of certain entity financial resources, stipulated by law, and takes measures to remedy the deficiencies strictly at its charge, it is natural that it may appeal the measures taken.

From the analysis of the provisions art. 1 par.(2) of Administrative law no.554/2002, with later changes and additions, one can ask the legitimate question, as we think, if in the disputes deriving from the activity of the Court of Accounts the person aggrieved in his/her legitimate rights or interests by means of an individual administrative act, addressed to a different subject of law, it is possible to acquire active procedural quality. In other words, for instance, it is possible for the former management of the audited entity or a corporation with whom the audited entity concluded the contracts audited by the Court of Accounts to acquire active procedural quality?

In order to answer this question, we think that some observations are needed regarding a certain crucial admissibility condition of the administrative action, and that is the justification of aggrieved legitimate rights or interests, as this notions are defined by art. 2 par.(1) let.o) and p) of Administrative law.

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In this way, an *aggrieved right* is defined as any right provided by Constitution, law or any other legislative act, whom is been prejudice by a administrative act. The fundamental rights and freedoms are expressly established under principles in the second Chapter of the second Title of the Country’s Fundamental Law.

Also taken in consideration the jurisprudence of the High Court of Cassation, in the cases submitted to our review, we still think that the fundamental rights established by the Constitution and the law cannot be assimilate with the rights deriving from a contract concluded between a corporation and a public entity audited by the Court of Accounts. As previously shown, the categories of public entities on which the Court of Accounts has competent control are strictly stipulated by law, and these are performing their activity either in a public power, or as commercial or financial public institutions.

In the cases submitted to our review, the dispute is about the annulment of the administrative acts issued by the Court of Accounts, in this case the decision issued by the manager of territorial structure or the head of the department, which concluded the audit and the conclusion issued by the Commissions for remedies of the Court of Accounts. As previously shown, by these administrative acts measures are taken before the management of the audited entity.

So, we think that it is, obviously, about the management in charge at the date of the audit, because it is the only one which may accomplish the measures taken by the audit body.

Also, the acts contested in court have been issued by the Court of Accounts in compliance with its organic law (Law no.94/1992, republished) and its special regulations (Regulation on the organization and development of the Court of Accounts specific activities, as well as the follow up of the documents resulting from these activities), being addressed exclusively to the audited entity. In other words, we think that between the Court of Accounts and the audited entity there may be only a legal relationship of administrative law.  

When we review the condition of legitimate interest, generally, we have to emphasize its legitimate character, first of all, this means that not any interest, public or private, is protected by justice. The importance attributed to the legitimate character of the protected interest towards a legal action, generally, and towards the administrative, in particular, is due to the fact that not any kind of interest is subject of protection towards a legal action. It has to consider an interest founded on law, culture or the general principles of law, because it is inconceivable that illegitimate interests should be protected by justice.

Regarding the private legitimate interest, is being defined, by art. 2 par.(1) let.p) of Administrative law, as the possibility to claim a certain conduct, in order to achieve a foreseeable and future, prefigured subjective right.

On the other hand, the law establishes the public legitimate interest as being the interest that targets the rule of law and constitutional democracy, guaranteeing the fundamentals rights, freedoms and duties of the citizens, satisfying community needs, achieving competence of public authorities.

From the review of the two different notions defined by the law, one can easily notice that the social values present in characterizing the notion of public legitimate interest are much more important than the protected values in case of the private legitimate interest. In administrative reports, protecting the society interests, as a whole, is much more important than protecting some individual or group interests. This time, we are not reviewing the case from the legitimacy point of view only, because both interests are supposed to be in the sphere of legality. It is strictly about priority protecting some social, state interests against individual ones.

The Court of Accounts and its territorial functional structures have specifically this duty to control and to oversee the establishment, management and use of state and public sector financial resources. If we analyze the importance of public funds and the serious economic consequences of illegal, uneconomical and inefficient spending of those, we consider that the legitimate interest protected by this activity exceeds by far the private interests of some people or interest groups.

In other words, the public interest is being always analyzed first and prevails upon the private interest, because the possible area of injury of a public interest is greater. Other kind of argumentation would mean the private interest of an individual exceeds the society interest, as a whole, that is unacceptable reasoning in a state of law and constitutional democracy.

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2. Antonie Iorgovan, Administrative law treaty, vol.II, 4-th edition, pp.573-574. Although the example analyzed by the well-known professor concerns the National Securities Commission, we think that it overlaps our review.
1. Preliminary observations

Basically, fiscal inspections are not included among the attributions of a public external auditor, but the adequate knowledge of the entire array of issues concerning the local taxation system is vital to the auditor, when it comes to certain types of missions, at the level of administrative-territorial units (ATU). This is the reason why, in the present article, we shall insist upon certain elements related to imposing buildings.

This matter is simultaneously complex and sensitive, especially after Romania’s adherence to the European Union, with the rigors of Community Law exerting a special bearing on the financial-accounting system, fiscal system and budgetary system (Andreșan, 2010; Dascălu, 2006; Boulescu et al., 2009). For that matter, lately, the modality through which the specific legislation is applied at a practical level has made it so that multiple cases have been brought before the constitutional judges, cases which required the solution of certain exceptions of unconstitutionality regarding particular provisions of Law no. 571/ 2003 on the Fiscal Code (exceptions raised by various contributors, especially those with legal personality).

The constitutional ground regarding taxes, fees and other contributions is to be found in art. 139 of the Fundamental Law (the Romanian Constitution, 2003). Thus, “taxes, fees and any other forms of revenue of the state budget and social assurance budget shall only be established by law” and “the local taxes and fees are set by the local authorities, within the limits of the law”.

2. Concepts and rules

As a general rule, a building is addressed as “any building located above or below the ground, irrespective of its nomenclature or use, and which has one or more rooms that can be used for sheltering humans, animals, objects, products, materials, facilities, equipment…” (Law no 571/2003 on Fiscal code, art. 249). The material used for the construction is not important from a fiscal point of view; the basic structural elements of the buildings – the walls and the roof – are the ones that matter.

Obviously, the owner of any building located in Romania owes a yearly tax for it, unless the owner is a legal entity of public law. According to Government Ordinance no 30/ 2011 of 31 August 2011, amending and supplementing Law no 571/2003 regarding the Fiscal Code, as well as regulating financial-fiscal measures, taxation and declaring buildings to have them enter the records of local authorities represent obligations of the owner, even if they were built without a permit.
The fiscal code also took into account the situations when state’s public or private buildings are leased, rented, or in-use to/b by persons who are not of public law. Therefore, the rule states that "the tax on the building is established — representing the fiscal duty of the tenants, inhabitants or administrators — in conditions similar to those in effect in the case of tax on buildings".

In all cases, the beneficiary budget of this type of payment is that of the village, town or city in which that particular building is located. Our article does not address the modality of calculation, mentioning in accounting, declaring, reporting, maturity, payment or tax exemption on buildings, we shall solely focus on certain regulations and interpretations that have recently caused some controversies worth mentioning within the auditing activity.

3. Modalities to solution unconstitutionality exceptions regarding provisions in the Fiscal Code on imposition of buildings

3.1. The alleged discrimination in the imposition based on the category to which owners belong

As apparent from the foregoing, the tax on buildings is connected to the local budget of the administrative-territorial unit where a particular building is located, with the exception of the buildings which are state’s public or private property. But if these buildings are leased, rented etc., those who manage them temporarily still owe this tax.

It is this very provision that represented the subject of raising an objection of unconstitutionality in a file (no. 5839/2/2010) of the Court of Appeal Bucharest — administrative and fiscal legal department, corresponding to Court File no. 1535D/2011. The taxpayer under discussion (a company) raised the issue of “a privileged status of the state and an inequity among taxpayers, created by the provisions criticized” (Constitutional Court Decision no. 438/2012).

Principles of Taxation (Fiscal Code, art. 3)

Taxes and fees covered by this code are based on the following principles:

a) the neutrality of fiscal measures in relation to the different categories of investors and capitals, and to the form of ownership, ensuring equal conditions to the investors, to the Romanian and foreign capital;

b) the certainty of imposition, through clear legal norms, which cannot lead to arbitrary interpretations, while terms, modalities of payment and the respective sums can be precisely established for each payer, so that each payer can monitor and understand his/ her/ its tax responsibilities, and each payer can determine the influence of their management decisions upon their tax burden;

c) tax fairness at the individual level, through imposing revenues according to their size;

d) effective imposition through providing long-term stability for the tax code provisions, so that these provisions do not lead to unfavourable retroactive effects for individuals and businesses, in relation to taxation in effect on the date when they take major decisions concerning investments.

Specifically, the legal provisions that were criticized were the ones found in art 249 paragraph (3) and art 256 paragraph (3) of Law no 571/2003 regarding the Fiscal Code. Here you can observe their form, criticized by the author of the exception of unconstitutionality.

- Art. 249 paragraph (3): "For public or private buildings of the state or of the municipalities that are leased, rented, or given on an in-use agreement to legal entities other than those of public law, the tax on building is established, being the tax burden of the tenants or the persons in charge of the management of the respective building(s), under conditions similar to all taxes on buildings".

- Article 256 paragraph (3): "For the public or private property land, belonging to the state or to the municipalities, there shall be established a tax which represents the tax burden of the concessionaires, tenants, persons with rights of management or of use, according to each case, under similar conditions used for taxing land".

In such a context, we should not overlook the fact the fiscal and budgetary policy, chosen by the Government at a given time, can lead to differences — often significant — in approaching the matter, and that at the basis of this policy there is exactly the concept of chargeable asset ownership (Bostan, 2008). Any ideological stand from the “opposite party”, according to which the state’s lack of obligation to pay taxes automatically triggers the phenomenon of the state becoming unjustly wealthier, does not hold its own ground.
And when it comes to tax exemptions/cuts, it is only the legislator that can decide upon them in favour of certain categories of tax-payers, if the circumstances and the country’s economic and financial status allows for it.

Analyzing the claims of constitutional judges regarding a violation of the principle of equality before the law, we note that the creation of the different taxation system for land and buildings – in the circumstances where the goods subjected to taxation are part of the state’s public or private property – is absolutely correct, and no discrimination between the two categories of owners can be brought into discussion.

In fact, when the Constitutional Court rejected as unfounded the plea of unconstitutionality mentioned above, it fundamented its decision on an essential aspect. Namely, that the legislator “enjoys complete freedom in establishing taxes, assuming these taxes are in proportion, reasonable and fair…” Then it added, also as an argument, the fact that, generally, “concession, lease, as well as in-use agreements of buildings that are state’s public or private property or belong to the municipalities are established in very long term…”

In another case, in which the Court decided against the alleged violation of the constitutional provisions, as to create a situation that can be considered as giving a privilege to the state or to municipalities (Court Decision no 518/2010), the Court also established that “public authorities – budgetary creditors – may be exempted from the payment of taxes or duties, because their activity is financed by the state budget, and the respective taxes also become revenue for the state budget, as it would otherwise be absurd for the authorities at issue to be formally obliged to pay a tax that returns to the same budget”.

3.2. Erroneously attacking the measure of increasing tax rate on the buildings not re-evaluated on term

This time, what comes into prominence is observing the method of solving the exception of unconstitutionality in the case of art. 253 paragraph (6) of Law no 571/2003 regarding the Fiscal Code in conjunction with art. 249 paragraph (3) of the same law, exception mentioned in Case no 11.661/3/2011 of the Court of Appeal, Section VIII of legal matters concerning administrative and fiscal issues, representing the subject of Case no 35D/2012 of the Court.

If art. 249 paragraph (3) has already been mentioned above, there are provisions (subjected to criticism) of art. 253 paragraph (6):

“In the case of a building which has not been revalued, the building tax rate is established by the local council/the General Council of Bucharest between:

a) 10% and 20% for the buildings which were not revalued in the 3 years preceding the fiscal year at issue/ of reference;
b) 30% and 40% for the buildings which were not revalued in the 5 years preceding the fiscal year at issue/ of reference;”

In explaining the motivation for the exception of unconstitutionality (Decision no 55/2013 of the Court), the author considers that the legal provisions violate the constitutional provisions of art. 56 para. (2), because “the penalty tax burden, as 10%, is imposed on a legal person for whom it is impossible to carry out a reevaluation, but also in a position to be evicted from the building through stopping the supply of utilities (…) even before the ruling of the Court”.

In this case, the Court found that “no valid criticism of unconstitutionality was formulated, but what was brought into question was a matter of enforcing the law”. And this matter is outside the jurisdiction of the court, which, according to art. 2 paragraph (3) of Law no 47/1992, is limited to deciding on the constitutionality of the documents that are brought before it.

This was also the argument for which the court rejected, through a final and binding decision, the above-mentioned exception of unconstitutionality, considering it unfounded.

4. Discussions on the constitutionality of progressive taxation of buildings based on the number of properties owned by a person

Probably this is common knowledge – the fact that individuals that own two or more buildings, not acquired through legal succession, owe a tax on the respective buildings, increased as follows (Tax Code, art. 252):

a) 65% for the first building besides the home address;
b) 150% for the second building besides the home address;
c) 300% for the third building and other buildings besides the home address.

Besides the disadvantage of increasing the tax burden, those owners have the obligation to make a special statement to the specialized departments of local authorities in the territory of residence, as well as those of the territory where their other buildings are located.
Constitutional Aspects of Taxing Constructions

Before including the measure of progressively taxing buildings (depending on the number of properties owned by one person) in the present form of the Tax Code, the provisions found in art. 5 paragraph (2) of Government Ordinance no 36/2002 regarding local taxes were in effect (the legal solution we analyzed here belongs to the same ordinance).

This is what it stipulated:
(1) The tax on buildings, in the case of individuals, is calculated by applying the rate of 0.2% in urban areas and 0.1% in rural areas on the taxable value of the building (...).

(2) If the taxpayers referred to in para. (1) own several buildings intended for housing, building tax shall be increased as follows:

a) 25% for the first building besides the home address;
b) 50% to the second building, besides the home address;
c) 75% to the third building, besides the home address;
d) 100% for the fourth and subsequent buildings, besides the home address.

(3) The numerical order of the properties is determined in relation to the year of acquisition of the building, in whatever form, resulting from documents proving ownership (...).

In a case for an annulment of administrative acts (file no 5.276/CA/2003), the Bucharest Court approached the Constitutional Court as regards the exception of unconstitutionality of the provisions mentioned. According to the author of the objection (Decision no 477/2004), "it is not possible for a law to establish a differentiated system for building tax, based on the number of properties owned by a person", as it is contrary to the constitutional principle of equality of citizens before the law.

It also claims that, through the legal provision subjected to criticism, a double discrimination occurs: "on the one hand between individuals who, depending on the number of buildings owned, owe differentiated tax rates, and secondly between individuals and the state, through the latter’s private buildings, buildings for which it is exempted from taxes".

The Government’s position was that "the Government Ordinance no 36/2002 was repealed by Law no 571/2003 regarding the Fiscal Code, but the provisions of art. Article 5, (2), claimed to be unconstitutional, were resumed almost identically in the Tax Code, art. 252 para. (1) The provisions criticized are not contrary to the text of the constitution (art. 16 paragraph (1)), because the principle of equality [...] does not mean uniformity; the established legal treatment is different, as are the circumstances of the taxpayers, circumstances determined by the number of buildings they own."

On this occasion, the Court noted, inter alia, that, after the notification, the Government Ordinance no 36/2002 was indeed revoked through art. 298 paragraph (1) section 27 of Law no 571/2003 regarding the Fiscal Code, but the legislative solution contained in art. 5. (2) of the Ordinance no. 36/2002 was taken over by the provisions of art. 252 paragraph (1) of Law no. 571/2003 regarding the Fiscal Code. Its content was the following: "If an individual owns two or more buildings used as dwellings, which are not leased to another person, building tax shall be increased as follows: a) 15% for the first building besides the home address, b) 50% for the second building besides the home address, c) 75% for the third building besides the home address, d) 100% for the fourth and subsequent buildings besides the home address."

The constitutional provisions brought into question by the author of the exception of unconstitutionality in order to support it are the following: Article 16 para. (1) - "All citizens are equal before the law and public authorities, without any privilege or discrimination." Article 44. (1) and par. (2) The first sentence - "(1) The right to property and claims against the State are guaranteed. The content and scope of those rights shall be determined by law. (2) Private property is guaranteed and protected equally by the law, regardless of ownership."

Examining the exception of unconstitutionality, the Court holds (Decision no. 477/2004) that "in essence, the criticism of unconstitutionality consists of supporting the fact that by creating a surtax for the individuals who own two or more buildings used for housing/ dwelling, this measure violates the constitutional principle of equal rights provided by art. 16 para. (1) and constitutional provisions of art. 44 paragraph (1) and paragraph (2) regarding the right to private property."

Explaining whether or not there is any sort of discrimination to the taxpayers who own several buildings, in comparison to those who only own one building, the Court states that “there is enough reason behind the text that is being criticized for establishing a different legal system, namely a progressively calculated tax, according to the number of building owned”. Reference is made to the provisions of art. 56 paragraph (2) of the Constitution, according to which "the legal taxation system must ensure a fair distribution of the tax burden."

A fair distribution of the tax burden implies, on the one hand, taking into account the financial situation of the taxpayer, and on the other hand, the increased possibility for those owning several properties to contribute more, through taxes, to the public expenditure. ... In its jurisprudence, the Constitutional Court, according with the European Court of Human Rights, has established that equality does not mean uniformity, so it is
The apparent inequality in taxation, between the state and other taxpayers who own several buildings, is annihilated by the reference to the provisions of art. 250 paragraph (1) of the Tax Code, according to which the fact that no tax is due on the building for some buildings belonging to the state is justified, on the one hand, through the nature and purpose of these buildings, intended to serve the general interest, and on the other hand, through the need for a simplification of financial operations, given the fact that institutions are financed by the budget, and the state contributes through revenues and expenditures to local budgets with sums of money from certain revenues of the state budget, and subsidies from the state budget...

Finally, without acknowledging any violation of the provisions in the international documents regarding the protection of private property rights, mentioned by the author of the exception of unconstitutionality, the Court rejected the exception of unconstitutionality in its entirety. In our opinion, raising a new exception in the same matter of regulating the progressive taxation of buildings according to the number of properties owned by a person would deliver the same final result, given the lack of new circumstances.

5. Perspectives

The consequences of the financial crisis (still in progress), plus the growing financing needs of different activities in local communities, exhibit the need to increase revenue from taxes of all administrative-territorial units. In this chapter, we have proven that things got as serious as possible in this respect, as demonstrated by the recent adoption, by the executive committee, of the Ordinance on Financial Crisis and Insolvency for municipalities.

Certainly, when drafting the text of that Ordinance, several aspects were taken into account. Essentially, what was desired was to avoid the increase in arrears recorded by administrative units (ATU) and therefore to mitigate the financial crisis and insolvency seems to give authorities a chance to improve the economic situation of ATU, so as to ensure that the citizens be provided essential services. Also, applying it, municipalities would be able to meet their payment obligations to employees, dealers and suppliers, but also to promote financial and accounting procedures, as well as budget and tax practices necessary for financial recovery.

However, it remains desirable not to enter into such proceedings and to ensure increased financial inputs through local management measures, while optimizing the use of all available resources. However, as shown in the (external) financial audit reports following assessments of most ATU, the situation is far from being considered at least acceptable.

Beyond the weaknesses in the administration of assets, attracting and using EU funds, expenditures and so on, there are often multiple weaknesses to be observed in the setting and collection of one’s own revenues. Throughout audit activities, it is no longer a surprise to find out that an entire series of buildings, together with the related land, is not to be found in the fiscal documents.

The reasons are the most diverse - from the uncertain legal status of the property (being the object of various types of litigation) to withholding tax table and omitting certain sums when declaring them to municipalities. Obviously, the solution is the knowledge and application of tax laws, both among those who have to apply and those who control/audit, which is why we believe that this article may represent a plea in this regard.

References

EUROSAI has drawn up a Strategic Plan for the period 2011-2017, meant to represent the framework for efficiently and effectively conducting the activities of the component Supreme Auditing Institutions (SAI). This first strategic plan was designed in the spirit of transparency, further to consulting all the EUROSAI members, being developed based on 4 strategic goals reflecting the organization’s needs and priorities. The Strategic Plan was approved within the VIII° Congress of EUROSAI held in Lisbon, Portugal, in May 2011.

The 4 strategic goals are focusing on:

- **Capacity building**: strengthening the institutional capacity means the development of skills, knowledge and working methods by means of which an organisation becomes more efficient starting from the pros and removing discrepancies and deficiencies. EUROSAI envisions the development of strong, independent and highly professional Supreme Audit Institutions.

- **Professional standards**: in view to competently and professionally fulfill their tasks, the Supreme Audit Institutions require an updated framework of international professional standards, relevant for their tasks and needs. These standards are developed by INTOSAI, while EUROSAI is focusing on promoting and facilitating their implementation by its members.

- **Knowledge sharing**: in view to enhance public sector auditing, accountability, better governance and transparency, EUROSAI promotes the improvement of sharing knowledge, information and expertise among its members and with external partners.

- **Governance and communication**: in view to effectively fulfill its mission and to increase its capability of meeting its members’ requirements, EUROSAI should have a good leadership. The current model was designed in accordance with the principles of good governance and effective communication, reflecting the strategic goals and encouraging the widest possible involvement of the member Supreme Audit Institutions in the organisation’s activity. Strong relationships are built up between all the EUROSAI bodies involved in the Strategic Plan implementation.

**EUROSAI**

**GOAL TEAM 1: CAPACITY BUILDING**

The implementation of EUROSAI Strategic Plan will contribute to the success of INTOSAI Strategy in Europe, observing the INTOSAI core values and maximising the efficient use of INTOSAI initiatives and results, in view to further develop public sector auditing in the region. The active role of all EUROSAI members in the Strategic Plan implementation is required.
To this end, the 4 strategic goals were formulated as follows:

1. **Goal 1: “Capacity building”** — facilitating the EUROSAI members’ institutional capacity development and strengthening.
2. **Goal 2: “Professional standards”** — promoting and facilitating the implementation of International Standards of Supreme Audit Institutions (ISSAI) and participating in their further development.
3. **Goal 3: “Knowledge sharing”** — encouraging the cooperation and expertise exchanges between EUROSAI members, within INTOSAI, as well as with external partners.
4. **Goal 4: “Governance and communication”** — ensuring EUROSAI leadership in accordance with the principles of good governance and effective communication.

In view to implement the 4 strategic goals of EUROSAI, the VIII EUROSAI Congress decided, on the grounds of art.9.5 of EUROSAI Statute, the establishment of 4 goal teams (Goal Teams - GT), as follows:

- **Goal Team 1 (GT 1): Capacity building**
- **Goal Team 2 (GT 2): Professional standards**
- **Goal Team 3 (GT 3): Knowledge sharing**
- **Goal Team 4 (GT 4): Governance and communication**

The IV meeting of GT 1, where Ms. Doina Drăniceanu, Head of Training Unit, Department I and Mr. Moise Popescu, director within Department I, participated, was held in Paris, France, on March 18th, 2013.

In the context of implementing the strategies related to capacity building, the key issues on which GT 1 is focusing in view to facilitate the development and the strengthening of EUROSAI members’ institutional capacity are dealing with training improvement and with the enhanced organisation of Supreme Audit Institutions and their institutional strengthening.

On this line, alike with previous meetings, the IV meeting of GT 1 took place under the aegis of the importance of sharing best practices and expertise within EUROSAI. From the perspective of allotting as adequately as possible the key-activities of the Strategic Plan, in accordance with the decision taken by GT 1 members during the third meeting, held in November 2012, of restructuring the 7 sub-groups previously established into 4 sub-groups (Task Groups – TG), in direct correlation with the strategic goals of the EUROSAI Strategic Plan 2011-2017, the responsibilities were redefined as such:

- **TG 1 „Availability of data”, (coordinator Latvia)**, will set up the conditions for ensuring the maximum possible use of resources and expertise available in the field of capacity building (Latvia, Spain, Sweden).
- **TG 2 „Identification of needs and innovations”, (coordinator Georgia)**, will set up the operational framework meant to facilitate the development of capacity building (Georgia, Romania, United Kingdom).
- **TG 3 „Strategic support”, (coordinator France)**, will facilitate and support the development of capacity building strategies at the level of Supreme Audit Institution (Slovakia, Portugal, France).
- **TG 4 „Independence”, (coordinator Hungary)**, will act in the direction of strengthening and supporting the independence of Supreme Audit Institutions. (Hungary, Austria, France).
In the opening of the IVth meeting of GT 1, the welcome speech was made by Mr. Jean-Raphael Alventosa, the Director of International Relations Department from the French Court of Accounts. The adoption of the meeting agenda was followed by the agreement on previous meeting conclusions.

Focusing on the implementation of the new operational plan represented a key issue in the agenda of the IVth meeting, with a stress upon the presentation of the established operational plan and upon the recent changes/proposals, as well as of the proposed annual roadmap (summarizing the annual priorities).

One of the main topics of interest on the agenda of the IVth meeting of GT 1 was the topic of disseminating the international activities and information within the Supreme Audit Institution. Thus, the French Court of Accounts delivered a general presentation of this topic and of the French case.

Likewise, a round table was organised, where each country presented its own practices. The representatives of Romanian Court of Accounts gave an overview of the ways our institution disseminates the activities and information at international level: the provisions of Institutional Development Strategy, of the Communication Strategy and of the Human Resources Strategy, as well as the planning of their implementation; the Romanian Court of Accounts’ Journal; our institution’s website – the section concerning International Relations, the activity reports drawn up by the participants in international events, subject to the Plenum sessions approval, the Journal of International Relations and Protocol Unit, the Working Group established at the Court level in view to implement ISSAIs, the studies carried out with regard to the expertise acquired as result of participation in international meetings in our institution activity.

The presentation of these ways of disseminating the activities and information at international level was done not declaratively, but through concrete examples, scanning the English version of the website. The members of GT 1 expressed their positive opinions about the Romanian Court of Accounts’ website, in terms of structure, contents of documents published on it and the way it ensures the dissemination of activities and information at international level.

The round table was succeeded by a general debate and by formulating the following conclusions:

- all the Supreme Audit Institutions are facing the same challenges in terms of disseminating the knowledge acquired as follow-up to participating in international activity, both within the institution and towards the interested stakeholders; all of them should constantly prove the value added at international level, by making use of their communication skills;
- most of the Supreme Audit Institutions participating in the round table have an English version of their own website, with at least one presentation of the institution and access to the abstracts of main reports; some of them developed an external portal integrally in English (e.g.: Romania);
- most of the Supreme Audit Institutions report on the international activity directly to their leadership, also having an informal network of “liaison officers” or representatives, sometimes structured as “organisational committee” (e.g.: France);
- some of the Supreme Audit Institutions developed an interesting way of disseminating best practices, through weekly debriefing points accessible to the whole staff (e.g.: Sweden);
- some of the Supreme Audit Institutions developed IT tools allowing for all their staff full access to the entire international activity (e.g.: Hungary, posting all the mission reports).

As for the evolution of the operational plan implementation, the coordinators of the 4 working sub-groups (Task Groups – TG), Latvia, Georgia, France and Hungary indicated the achieved progresses and the difficulties encountered in fulfilling each strategic goal of EUROSAI Strategic Plan 2011-2017. Each sub-group responsible SAI presented comments and proposals on the operational plan as subject to debates; its final version was agreed as consequence of discussions between all GT1 members.

The task groups (TG) made a presentation of the activity carried out in the context of GT 1, with an overview of related tasks.
Latvia requested the transmission of the draft database to all GT 1 and IDI members and afterwards to all the regional organisations collaborating with the Capacity Building Committee (CBC), chaired by United Kingdom: the pursued goal is the stabilisation and the checking out of the database adequacy and content previously to adopting a decision on posting it on-line, as a tool. This was circulated in March 2013 and should be assessed at the next meeting of GT 1, in autumn 2013.

IDI suggested Sweden to propose a method/project on “success stories” within EUROSAl related to capacity building. It was decided upon drawing up a description of “positive examples” for the next meeting, previously to the adoption of a decision on generalising the approach. The first “success stories” could come from GT 1 members. The goal is to identify the interesting and reproducible cases and to ensure the contact between the Supreme Audit Institutions needing support and those which have successfully overcome the same obstacles. The assessment is to be carried out on the occasion of the next GT 1 meeting, in autumn 2013.

Sweden reported on the evolution within AFROSAl-E. It will address AFROSAl-E an invitation to participate in the next GT 1 meeting, in autumn 2013.

Starting from the database built up by Latvia, Georgia has the intention of presenting within the next autumn meeting a method of keeping on identifying the discrepancies and possible needs that should be discussed with IDI. The assessment will be carried out during the next GT 1 meeting, in autumn 2013.

Romania requested a change in expression (collaboration with EUROSAl members from GT 1), a change that was accepted. Romania will further send an informal e-mail message to all the GT 1 members, kindly asking for providing all the pieces of information about the e-learning modules existing within the Supreme Audit Institutions members of GT 1. The assessment will be carried out on the occasion of next GT 1 meeting, in autumn 2013. Romania will continue to permanently contribute with suggestions on improving the design of EUROSAl website, which will be transmitted to GT 4.

In view to acquire the position of “members” instead of “experts”, Spain requested a formal mail. GT 1 expressed its agreement on this issue.

The United Kingdom made a presentation of the brochure related to innovations in EUROSAl. It was agreed that Spain will accomplish its translation into Spanish, while France will carry out the translation into French. France will transmit it to Germany and to Russia for an eventual translation into German and Russian.

Lithuania will inform GT 1 through an e-mail about eventual proposals on an award for innovation. The assessment will be achieved on the occasion of the next GT 1 meeting, in autumn 2013.

Portugal presented news about the activity of GT 3. It was agreed upon the setting up of clear contact points within EUROSAl, to whom IDI will transmit information on the training programmes or sessions.

Hungary presented the questionnaire on independence to be filled in by all the Supreme Audit Institutions till July 31, 2013 and announced that next year it will host a seminar on independence. A funding request could be prepared in view to be agreed upon during the next GT 1 meeting.

Other discussed issues envisaged the procedure of replacing the inactive GT 1 members (Cyprus and Ukraine) and of inviting new members on volunteer basis. No funding was requested for 2013. A presentation of the Report on the participation in GT 3 meeting and the cooperation with ASOSAI (the French Court of Accounts), as well as of the financial rules of EUROSAl (EUROSAl Secretariat) has been done.

Suggestions on a main topic of debates for the first part of the next GT 1 meeting are expected from each SAI member of GT 1 (such as the one referring to the dissemination of activities and information at international level within the Supreme Audit Institutions, from the IVth GT 1 meeting of March 2013). Possible topics, proposed by France in its position of GT 1 Chair would be: Does EUROSAl have specific needs of institutional capacity building as compared to other regional working groups? How does your Supreme Audit Institution assess its own performance?; Focusing on the relations with donors: the way of interacting with the World Bank, the International Monetary Fund and other donors.

The IVth GT 1 meeting ended with drawing up conclusions on the agreement upon future actions. The importance of sharing best practices and expertise within EUROSAl was reiterated.

The satisfaction for the carried out and for the constructive involvement of participants in the debates was expressed.

It was agreed upon keeping in touch and keeping on the collaboration between the GT 1 members by e-mail, until the next GT 1 meeting.
NEW APPLICATIONS OF IT&C TECHNOLOGY

Sanda MIHAI
Chamber of Accounts Dolj
Deputy Director

Motto: “No one knows anything, really. It’s all rented, or borrowed.” - Ian McEwan

Introduction: External public auditors face in their missions, more and more complex challenges in obtaining sufficient adequate audit evidence to sustain their findings, conclusions and recommendations. The use, by the audited parties, of database management systems, can provide an abundance of useful data and information, but is often required specialized knowledge, either to access the entity’s applications – e.g. the software used by National Agency for Fiscal Administration, The National Public Pensions Fund, The National Health Insurance Fund, or to collect, analyze, filter and interpret the data provided. In this field, the dissemination of knowledge is essential to insure the success of the audit missions, but the time budget limitations set for these missions make difficult the employment of classic training procedures, which imply the interruption of current professional activities in order to participate in week-long training sessions. This article presents a few alternatives, which are time – efficient and also financially feasible, to communicate the best practices and to insure professional assistance between auditors.

Online conferencing. The “webinar” method.

Along with the popularization of internet as a feasible way to communicate audio-video streams, were developed software platforms that make possible the setup of interactive meetings – in the form of workgroups, presentations or teaching classes, which allow interested parties to attend, irrelevant of their location.

The webinar term was introduced in 1981, joining the words web (world wide web) and seminar, and is defined as a live, online educational presentation, during which participating viewers can submit questions and comments. The use of webinars to instruct the SAI auditors can offer a significant improvement in results, especially in the case of local missions, coordinated by the central departments, where numerous auditors are involved, each one with a different level of proficiency in IT&C. Also, this method is useful to communicate new methods for acquiring data and information – e.g. practical courses for accessing the Electronic System for Public Acquisitions, which emerged as the main source of relevant information regarding public acquisitions, or to gain proficiency in using certain applications – Idea, Infopac, Infoteam, etc.

The webinar session is initialized by the organizer, who sends an e-mail message to the potential participants, establishing the date and hour of the internet seminar, and also the web address at which it will be available.

The invitees will access the web address as instructed, simply by clicking on it. Thus, they will view on their own computer, the screen of the organizer’s computer, and also any operations that he will execute throughout the meeting. This technique (desktop sharing) allows the participants to witness the steps and commands that the organizer gives, as if they were right beside him.

The organizer can communicate with the other participants both audio, through the microphone attached to his computer, and also through video stream. Also, the participants can request the necessary clarifications, using the same communication means.

Furthermore, the organizing party can transfer – either temporarily or permanently, control of the meeting to another participant, regardless of his location. Thus, it is possible to organize training sessions with multiple subjects, with lecturers from any local structure, or from external service providers.

To insure the correct and complete dissemination of the presented practices, the sessions can be recorded and made available to the participants, so they can always revisit them when necessary.

Besides the obvious advantages provided by the possibility of quick know-how dissemination in various fields of interest, this technique minimizes the period in which the auditors are diverted from the current mission. It is not even required to be present at the local structure’s headquarters, because the auditors can participate in the meetings from any possible location with adequate internet access, and can resume the daily activities once the meeting ends.

Furthermore, by planning a diverse program of meetings, on different subjects and at different levels of proficiency, it can ensure the effectiveness of the dissemination activities, by avoiding the participation of auditors with already sufficient knowledge in the respective field. This way, the auditors will have the option to participate at any seminar organized, choosing the most beneficial ones.
There are numerous available online seminar platforms, among the most popular being: Adobe Connect, Cisco WebEx, Infinite Conference, Click Webinar, Microsoft Office Live Meeting, each offering, along with the capabilities described above, a series of other practical features, as: file transfer, password protection, encryption, even the possibility of attending using a smartphone.

**Remote administration**

Whilst during a webinar, the participants can view the lecturer’s desktop, without the possibility of actively intervening, the remote administration method has the opposite purpose, allowing its user (the administrator) to remotely access, by using his own computer, any remote workstation, with access to the internet. Along with the access to remotely stored files on the target computer, the administrator can operate it through its peripherals, also viewing its desktop, as if right in front of it.

The remote administration technique is widely used by IT assistance companies. This way, they are able to remedy occurring errors, or provide specialized assistance, without the need of physical presence at the client location.

By analogy, considering the various IT knowledge required by the auditors (several versions of Windows operating systems, M.S. Word, M.S. Excel, Outlook, Idea, Infoteam, Infopac, etc.), the use of a “specialist”, either a fellow auditor, an own IT specialist, or an external contractor, can lead to significant improvements in audit related activities, and also in the quality of audit reports and the audit evidence.

We, as auditors, often give or receive assistance from our co-workers, on operating the IT equipment and its software, and sometimes we forgo certain investigative procedures given the complexity of the IT procedures involved. The use of remote administration allows delocalization and also specialization of assistance received. The presence of a skilled co-worker is no longer necessary to maximize the benefits of IT technology, and the assistance given is no longer limited to his knowledge.

One of the most popular remote administration software is TeamViewer2. In its latest release, the application can be run even from a memory stick, without requiring installation. To allow the administrator’s access, the beneficiary party must communicate the ID number (same every time) and the access password (different each time, as a security measure). Without this information, the target computer cannot be accessed remotely. The administrator can control the target computer as if in front of it, dealing with the problems at hand – errors, pc malfunctions, or software related difficulties. As soon as the remote administration session ends, the password is reset, making it impossible to open a new session using the same password. Similar software3 is GoToMyPC and Symantec PCAnywhereTM.

**The Sandbox method**

The challenges brought on by the “digital era” have been acknowledged both by companies and government, each striding to update the teaching methods used in the educational process. For instance, the American organization “Digital Promise”, authorized by Congress in 2004, has the mission to “improve all levels of education and provide Americans with the knowledge and skills needed to compete in the global economy”.

The stringent need to acquire new digital skills is also felt by auditors of the Supreme Audit Institution, and this section proposes an innovative method in this regard.

The sandbox term is derives from the software development sector, where, in order to test all possible commands, even the destructive ones, and to detect possible errors, some causing severe consequences to the workstation or network, the testing of new software is virtualized.

This way, an isolated software environment is created, where the application can be operated without any consequence to the exterior.

The sandbox method can also be used for educational purposes, allowing new users to operate all the specific commands of an application, and to observe their effects, without causing data alteration, deletions or other changes.

Using this method to build an enclosed testing facility, hosting the software applications used by the major audited parties – either in fiscal administration or in financial accounting, each one with its own test database can prove extremely useful in training new auditors, who require access to these applications.

For advanced users, the sandboxing technique allows for complex procedures on the IT systems employed by the audited parties.

For instance, in 2012 we managed to load the entire database used by a local fiscal administration (using a back-up copy of the entire server and database), and also the front-end application, creating a virtual copy of the entire IT infrastructure on a single laptop. Using it, the auditor could achieve any specific fiscal operation (from creating new taxpayers, adding tax data, the issuing and cancelation of tax receipts), without any real effect on the audited entity’s data, whilst gaining comprehensive knowledge of the IT system employed.

This way, we concluded that the cashiers accounts could cancel tax receipts without the requirement of superior approval, and that, by setting improper access rights to the application, the cashiers could even record or cancel bank transfers, even though this was strictly an accountant privilege.
Romanian Court of Accounts is member of the INTOSAI Subcommittee on Internal Control Standards since 2002 when it was invited to join the activities of this important work group.

This Subcommittee is a particular one as it is the only one who works for the public sector and does not functions only for SAIs as the majority of the groups from this area.

The most significant result of the members of this Subcommittee is INTOSAI GOV, document which stated the issue of the legal framework for reporting on internal/managerial control in many of the European Union countries or INTOSAI's members. This document was translated in Romanian for the internal use of Romanian Court of Accounts (as part II of the Guidance for internal control evaluation in public sector – 2011). We are underlying the important contribution of Romanian Court of Accounts in the issue of INTOSAI GOV.

Recent works of the Subcommittee focused on analyzing two main aspects regarding internal/managerial control in public sector of the INTOSAI member countries, such as:
- Reporting on internal control (going beyond compliance with legal acts and regulations towards effectiveness of the implementation of objectives and tasks performance);
- Risk management (taking into consideration the future consolidation of the risk monitoring and risk assessment).

Accountability is a powerful tool which, when consistently applied, can help reduce fraud, corruption and financial abuse. Enhancing and enabling accountability is especially important today due to political instability, turbulent economic climate, and unparalleled challenges faced by public services, austerity measures and rising unemployment rates in some regions. Good governance, transparency, accountability and integrity have become the most common expectations of citizens from governments and public managers.

The mission of the INTOSAI Subcommittee on Internal Control Standards is to focus on the development and promotion of good practices in the field of internal control, and to establish improved and focused managerial accountability in the public sector. Task 4 of the Subcommittee’s Action Plan for the years 2010-2013 was to conduct a survey on reporting on internal control by public sector entities – the results of the survey have been presented in this paper.

The aim of the survey is to establish the extent to which internal control reporting by public sector entities exists, under what forms and what the underlying frames of reference are. The survey also intends to establish the SAIs’ involvement in reporting on internal control. The results of the survey will be used as a background for updating INTOSAI GOV 9110 on internal control reporting which will be implemented after 2013. The questionnaire for the survey was developed by the SAI of Lithuania – the Coordinator for Task 4, in cooperation with the SAI of Poland – the Subcommittee Chair. To gain necessary information, the questionnaire was sent to all INTOSAI members and it contained questions on:

- the legal and organisational framework for reporting on internal control,
- the scope of internal control assessment and reporting on internal control by public sector entities,
assessment of reports on internal control and auditing of internal control,

an opinion on the revision of INTOSAI GOV 9110 Guidance for Reporting on the Effectiveness of Internal Controls: SAI Experiences in Implementing and Evaluating Internal Controls.

Answers were received from 64 INTOSAI members SAIs from all over the world, representing the whole INTOSAI community associated in seven regional working groups (42.2% from EUROSAI)\(^1\).

1. The guidelines on internal control which were initially developed in 1992 were updated in 2004 by the INTOSAI Subcommittee on Internal Control to make them relevant for the control environment and challenges at that time. It is necessary to emphasise that Guidelines for Internal Control Standards for the Public Sector (INTOSAI GOV 9100) in the concept and assumptions refer to the worldwide recognised integrated frameworks of the Committee on Sponsoring Organizations of the Treadway Commission (COSO). The INTOSAI vision comprised in INTOSAI GOV 9100 goes beyond the private sector approach and takes into account the public sector perspective, including primary ethical aspects as a fundamental point of reference for public officers.

2. In 1997, the Subcommittee on Internal Control Standards issued Guidance for Reporting on the Effectiveness of Internal Controls: SAI Experiences in Implementing and Evaluating Internal Controls (INTOSAI GOV 9110). Several

The main elements of this vision, as defined in INTOSAI GOV 9100, are the following:

1.1. *Internal control* is a dynamic process built into the everyday activities of entities that is continuously adapting to the changes which an organisation is facing. It means that internal control is not an activity that must be added to daily operations, but an inevitable aspect of the methods of work integrated with well-known typical management functions, such as planning, executing and monitoring. The definition states that internal control is an integral process that is affected by an entity’s management and personnel, and it is designed to address risks and to provide reasonable assurance that in pursuit of the entity’s mission accountability obligations are fulfilled as one of specific objectives.

1.2. Fulfilling *accountability obligations* implies the process whereby public service organisations and individuals within them are held responsible for their decisions and actions, including their stewardship of public funds, fairness, and all aspects of performance. This will be realised by developing, maintaining and making available reliable and relevant financial and non-financial information, and by means of a fair disclosure of that information in timely reports to internal as well as external stakeholders. Non-financial information may relate to the economy, efficiency and effectiveness of policies and operations.

1.3. Effective information and communication as one of the components of internal control is vital for each organisation to run and control its operations. Information is needed at all levels in order to obtain effective internal control and to achieve the entity’s objectives.

1.4. Management’s ability to make appropriate decisions is affected by the quality of information which implies that the information should be appropriate (is the needed information there?); timely (is it there when required?); current (is it the latest available?); accurate (is it correct?); accessible (can it be obtained easily by the relevant parties?).

1.5. All personnel should receive a clear message from top management. They should understand their own role in the internal control system, as well as how their individual activities relate to the work of others. Communication should raise awareness about the importance and relevance of effective internal control, communicate the entity’s risk appetite and risk tolerances, and make personnel aware of their roles and responsibilities in effecting and supporting the components of internal control.

\(^1\) An extrapolation of the results to INTOSAI as a whole is not possible since about two-thirds of the INTOSAI members did not participate in the survey. However, this survey shows the main trends in reporting on internal control. The specific results of the survey are presented on the following pages by total number and percentage of the returned questionnaires.
examples have been presented of useful practices in creating and monitoring a strong internal control framework and control structure. These are:

a) having a constitutional or legislative provision that establishes in the law an overall basis (or a requirement and objectives) for maintaining effective internal controls;
b) prescribing internal control standards to be followed when designing an internal control structure and which can be patterned after or adopted from INTOSAI standards;
c) focusing management’s attention on their responsibilities for implementing effective internal controls and continuously maintaining a positive internal control environment;
d) emphasising the prevention of internal control breakdowns – rather than detecting and correcting them – through such means as requiring managers to periodically undertake self-evaluation of internal control operations;
e) stressing the role of internal auditors as a critical part of an organisation’s internal control structure; and ensuring that Supreme Audit Institutions play a key role in (1) establishing internal control standards, (2) creating a solid internal control framework, (3) working with internal auditors, and (4) evaluating internal controls as an integral part of both financial and performance audits.

FINDINGS AND PRACTICES IN THE LIGHT OF THE RESULTS OF THE 2012 SURVEY

1. Legal and organisational framework for reporting on internal control

1.1. An obligation to report on internal control, if set out in different legislations, is ascertained in various ways, usually in legal provisions and acts issued by the government, but there is a small group of countries where other specific legislations, such as statutory acts, are provided as well.

1.2. There is a visible practice that all public sector entities are obliged to report on internal control, however in some countries reporting liability exists only for central government public sector entities.

1.3. The frequency of reporting remains an essential issue with regard to accountability. There is a prevailing demand for public entities to report once a year – after the end of the fiscal year. In some cases reporting is expected when required by the competent supervising body or on other specific dates, for example on a monthly or quarterly basis.

1.4. Usually a manager of a public entity is responsible for reporting on internal control. Interestingly, there are quite a meaningful number of countries where persons referred to as managers of entities, as well as internal auditors or chief accountants (financial directors) are designated to meet reporting obligations.

1.5. The Ministry of Finance in most cases is the ultimate addressee of reports on internal control, partly indirectly through the supervisory body. Sometimes other specific bodies, such as the parliament or the Supreme Audit Institution are indicated as the addressee, especially when the internal control report is a component of an annual report, or a facet of a financial statement. Interestingly, the number of countries where there is an obligation to provide a report on internal control to the public is relatively low – and it is most often done through the internet.

1.6. There is a balance when it comes to the form of a report on internal control between the practice of developing separate reports, and elaborating them as a part of a public sector entity's financial statement. In some cases, reports on internal control are embedded in management/accountability reports.

1.7. To support the reporting processes, guidelines on how to assess internal control for public sector entities are provided in less than a half of the respondents. Moreover, it is often required that internal control assessment should be conducted in accordance with a set of defined indicators related to internal control objectives, such as compliance with legal regulations and internal procedures, effectiveness and efficiency of the activity, reliability of reports, protection of resources, compliance with ethical
conduct rules and their promotion. Additionally, methods have been indicated for assessing internal control together with templates for reporting and even special instructions how to complete the report.

1.8 Negative consequences for a failure to present a statement on internal control or for presenting an unreliable statement, such as penalties, fines, or administrative sanctions, are not a common practice around the world.

Without doubt, in most countries public sector entities regularly and systematically assess their internal control systems. However, it is worthwhile to notice quite a substantial number of cases without any activity in this field.

2. Scope of internal control assessment and reporting on internal control by public sector entities

2.1. A review by the management or their expert is the predominant method of internal control assessment, followed by an evaluation by the internal auditor, external auditors, and Supreme Audit Institutions. Even though Guidelines for Internal Control Standards for the Public Sector emphasise that internal control should be an integral part of day-to-day management operations, self-assessment workshops are not a widespread type of exercise applied in the public sector.

2.2. Compliance with applicable laws and regulations is the primary subject of assessment and reporting out of the four objectives of internal control. The analysis and reporting on the reliability of financial statements, issues related to corruption, misappropriation or ethical aspects of task performance and effectiveness of the implementation of objectives (tasks) set by the entity management are less frequently applied.

2.3. All internal control components are assessed in most countries. There is, however, quite a big number of cases where assessment is confined only to some aspects of internal control, for instance control mechanisms, control environment or reporting on fraud and corruption.

2.4. The state of internal control usually is the subject of assessment, however usually there is no scale for an overall evaluation. Generally, where there is a scale, the assessment is given in a descriptive manner, for example very good/ good/ satisfactory/ unsatisfactory or compliance/ partial compliance/ non-compliance, or the internal control system is effective/ the internal control system is operating, but some minor improvements are necessary/ the internal control system is operating, but essential improvements are necessary/ the internal control system is not effective.

2.5 Sometimes reports on internal control include valuable information about internal control deviations/ discrepancies, planned activities to undertake with a view to improve internal control, basis for assessing internal control and sources used for assessment or activities to improve internal control planned for the year to which the statement applies.

3. Assessment of reports on internal control and auditing of internal control

3.1. An entity's internal audit function, in addition to an external auditor, usually provides the assurance on the reliability and transparency of a report on internal control. In some countries, the competent ministry responsible for internal control methodology (usually the Ministry of Finance) plays an important role in this process as well.

3.2. The role of internal audit in the internal control assessment process and reporting on internal control has been identified. The role of SAIs in assessing internal controls, reporting on it and promoting good practices is quite alike. Internal control assessment is applied by SAIs mostly during financial audits, followed by compliance audits, and it is the least frequently applied in performance audits.

3.3. Taking into consideration the activities of SAIs, the basic and most often used form to report on internal control is an audit report, however a separate document, e.g. a letter to the management, an annual report on the state of accounts, or even an annual report on internal control were also indicated by those surveyed.
3.4. Most frequently SAIs report barely on the deficiencies in internal control. Only some of them give an overall assessment and use a descriptive form (for example: meets the requirements/partially meets the requirements/does not meet the requirements; or: very good/good/satisfactory/poor; or: very well/well/satisfactory/unsatisfactory; or: strong/weak).

3.5. Since they play an important role in maintaining internal control, almost all SAIs wish to promote good practices with regard to improving organisational processes, and it is done by different means, such as conducting audits and issuing recommendations, and providing guidelines for an internal control model.

Summary: There are two main parties involved in the assessment of reports on internal control and auditing of internal control. Assurance on the reliability and transparency of the report on internal control is mostly provided by internal auditors with a visible commitment of the national Supreme Audit Institution as an external auditor. SAIs assess the internal control systems by focusing, first of all, on financial and compliance audits, and expressing their opinion against deficiencies rather than drawing up an overall appraisal. SAIs are aware of their position and influence on internal control in the public sector, so generally they demonstrate a positive attitude towards the promotion of good practices in the field.

4. Opinion on the revision of INTOSAI GOV 9110: Guidance for Reporting on the Effectiveness of Internal Controls: SAI Experiences in Implementing and Evaluating Internal Controls

In the light of the survey whose results have been analysed in this paper, it can be concluded that there is the basis for undertaking a revision of INTOSAI GOV 9110, so that to acknowledge the latest developments in the field, and to meet the needs of all stakeholders. Such a revision will be included in the next work plan of the INTOSAI Subcommittee on Internal Control Standards as one of its tasks for the upcoming years.

THE RESULTS OF THE SURVEY IN FIGURES

PRESENTATION OF INTOSAI REGIONAL WORKING GROUPS IN THE SURVEY

<table>
<thead>
<tr>
<th>AFROSAI</th>
<th>EUROSAI</th>
<th>ARABOSAI</th>
<th>OLACEFS</th>
<th>ASOSAI</th>
<th>PASAI</th>
<th>CAROSAI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total of returned questionnaires^2</td>
<td>10</td>
<td>27</td>
<td>7</td>
<td>7</td>
<td>19</td>
<td>1</td>
</tr>
<tr>
<td>% of returned questionnaires</td>
<td>15.6</td>
<td>42.2</td>
<td>10.9</td>
<td>10.9</td>
<td>29.7</td>
<td>1.6</td>
</tr>
</tbody>
</table>

Answers were received from 64 INTOSAI members SAIs; however one of the respondents informed that it is in the process of addressing the issues connected with internal controls and risk management, they gave a general overview only, and they did not answer the questionnaire. Apart from a few SAIs, the rest did not answer all questions. The results are presented by the total number and percentage of the returned questionnaires. In some questions, more than one answer was possible, or SAIs indicated more than one answer—in these cases the total percentage of the returned questionnaires exceeds 100.

QUESTIONS

SECTION 1: LEGAL AND ORGANISATIONAL FRAMEWORK FOR REPORTING ON INTERNAL CONTROL

1. Is there a legal obligation for public sector entities to report on internal control?

<table>
<thead>
<tr>
<th>Total of returned questionnaires</th>
<th>Yes, on internal control</th>
<th>No</th>
<th>Yes, but only on specified matters</th>
<th>Yes, but only on financial control</th>
<th>No answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total of returned questionnaires</td>
<td>25</td>
<td>23</td>
<td>8</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>% of returned questionnaires</td>
<td>36%</td>
<td>36%</td>
<td>13%</td>
<td>9%</td>
<td>3%</td>
</tr>
</tbody>
</table>

^2 Nine INTOSAI member SAIs belong to two regional working groups, so the total percentage of the returned questionnaires exceeds 100.
2. In what legislation is the obligation to report on internal control set out? *(more than one answer possible)*

<table>
<thead>
<tr>
<th></th>
<th>Act by the Government</th>
<th>Law</th>
<th>Other specified legislation (statutory act)</th>
<th>Not applicable</th>
<th>No answer</th>
</tr>
</thead>
<tbody>
<tr>
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<td>18</td>
<td>16</td>
<td>11</td>
<td>22</td>
<td>3</td>
</tr>
<tr>
<td>% of returned questionnaires</td>
<td>28%</td>
<td>25%</td>
<td>17%</td>
<td>34%</td>
<td>5%</td>
</tr>
</tbody>
</table>

3. What entities are obliged to report on internal control?

<table>
<thead>
<tr>
<th></th>
<th>All public sector entities</th>
<th>Only central government (federal/state government) public sector entities</th>
<th>Other specified entities</th>
<th>Only self-government (local government) public sector entities</th>
<th>Not applicable</th>
<th>No answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total of returned questionnaires</td>
<td>26</td>
<td>9</td>
<td>4</td>
<td>0</td>
<td>22</td>
<td>3</td>
</tr>
<tr>
<td>% of returned questionnaires</td>
<td>41%</td>
<td>14%</td>
<td>6%</td>
<td>0</td>
<td>34%</td>
<td>5%</td>
</tr>
</tbody>
</table>

4. How often are public sector entities obliged to report on internal control? *(more than one answer possible)*

<table>
<thead>
<tr>
<th></th>
<th>Once a year (after the end of the fiscal year)</th>
<th>When required by the competent supervising body</th>
<th>On other specified dates</th>
<th>Not applicable</th>
<th>No answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total of returned questionnaires</td>
<td>33</td>
<td>7</td>
<td>3</td>
<td>22</td>
<td>4</td>
</tr>
<tr>
<td>% of returned questionnaires</td>
<td>52%</td>
<td>11%</td>
<td>5%</td>
<td>34%</td>
<td>6%</td>
</tr>
</tbody>
</table>

5. Who is responsible in a public sector entity for reporting on internal control? *(more than one answer possible)*

<table>
<thead>
<tr>
<th></th>
<th>Manager of the entity</th>
<th>Other specified person</th>
<th>Chief accountant (financial director)</th>
<th>Administrative director</th>
<th>Not applicable</th>
<th>No answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total of returned questionnaires</td>
<td>25</td>
<td>18</td>
<td>2</td>
<td>0</td>
<td>22</td>
<td>2</td>
</tr>
<tr>
<td>% of returned questionnaires</td>
<td>39%</td>
<td>28%</td>
<td>3%</td>
<td>0%</td>
<td>34%</td>
<td>3%</td>
</tr>
</tbody>
</table>

6. To whom a public sector entity provides a report on internal control? *(more than one answer possible)*

<table>
<thead>
<tr>
<th></th>
<th>Public sector entity reports to the supervising body, which later reports to the competent ministry (usually the Ministry of Finance)</th>
<th>Competent ministry (usually the Ministry of Finance)</th>
<th>Other specified body</th>
<th>Competent supervising body</th>
<th>Not applicable</th>
<th>No answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total of returned questionnaires</td>
<td>13</td>
<td>13</td>
<td>13</td>
<td>6</td>
<td>22</td>
<td>4</td>
</tr>
<tr>
<td>% of returned questionnaires</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
<td>9%</td>
<td>34%</td>
<td>6%</td>
</tr>
</tbody>
</table>

7. A report on internal control is *(more than one answer possible):*

<table>
<thead>
<tr>
<th></th>
<th>Separate report</th>
<th>Part of a public sector entity’s financial statements</th>
<th>Other</th>
<th>Not applicable</th>
<th>No answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total of returned questionnaires</td>
<td>19</td>
<td>18</td>
<td>4</td>
<td>22</td>
<td>3</td>
</tr>
<tr>
<td>% of returned questionnaires</td>
<td>30%</td>
<td>28%</td>
<td>6%</td>
<td>34%</td>
<td>5%</td>
</tr>
</tbody>
</table>

8. Have the consequences for the failure to present a statement on internal control or for presenting an unreliable statement been defined in the legislation?

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
<th>Not applicable</th>
<th>No answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total of returned questionnaires</td>
<td>15</td>
<td>22</td>
<td>22</td>
<td>5</td>
</tr>
<tr>
<td>% of returned questionnaires</td>
<td>24%</td>
<td>34%</td>
<td>34%</td>
<td>8%</td>
</tr>
</tbody>
</table>
9. Have guidelines been provided on how to assess internal control for public sector entities?

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
<th>Not applicable</th>
<th>No answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total of returned questionnaires</td>
<td>30</td>
<td>9</td>
<td>22</td>
<td>3</td>
</tr>
<tr>
<td>% of returned questionnaires</td>
<td>47%</td>
<td>14%</td>
<td>34%</td>
<td>5%</td>
</tr>
</tbody>
</table>

10. Is it required that the internal control assessment be conducted in accordance with a set of defined indicators related to internal control objectives? Examples of such indicators: compliance with legal regulations and internal procedures, effectiveness and efficiency of the activity, reliability of reports, protection of resources, compliance with ethical conduct rules and their promotion, etc.

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
<th>Not applicable</th>
<th>No answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total of returned questionnaires</td>
<td>26</td>
<td>4</td>
<td>30</td>
<td>4</td>
</tr>
<tr>
<td>% of returned questionnaires</td>
<td>41%</td>
<td>6%</td>
<td>47%</td>
<td>6%</td>
</tr>
</tbody>
</table>

11. Have the methods been indicated for assessing internal control in public sector entities?

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
<th>Not applicable</th>
<th>No answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total of returned questionnaires</td>
<td>26</td>
<td>4</td>
<td>30</td>
<td>4</td>
</tr>
<tr>
<td>% of returned questionnaires</td>
<td>41%</td>
<td>6%</td>
<td>47%</td>
<td>6%</td>
</tr>
</tbody>
</table>

12. Has a template been developed for a report on internal control with an instruction (guidelines) how to complete it?

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
<th>Not applicable</th>
<th>No answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total of returned questionnaires</td>
<td>17</td>
<td>14</td>
<td>7</td>
<td>22</td>
</tr>
<tr>
<td>% of returned questionnaires</td>
<td>27%</td>
<td>22%</td>
<td>12%</td>
<td>34%</td>
</tr>
</tbody>
</table>

13. Is there an obligation to provide a report on internal control to the public?

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
<th>Not applicable</th>
<th>No answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total of returned questionnaires</td>
<td>19</td>
<td>19</td>
<td>22</td>
<td>4</td>
</tr>
<tr>
<td>% of returned questionnaires</td>
<td>30%</td>
<td>30%</td>
<td>34%</td>
<td>6%</td>
</tr>
</tbody>
</table>

14. Do public sector entities regularly and systematically assess their internal control?

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
<th>No answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total of returned questionnaires</td>
<td>38</td>
<td>22</td>
<td>4</td>
</tr>
<tr>
<td>% of returned questionnaires</td>
<td>59%</td>
<td>34%</td>
<td>6%</td>
</tr>
</tbody>
</table>

15. What are the most frequently used internal control assessment methods? (more than one answer possible)

<table>
<thead>
<tr>
<th></th>
<th>Review by the management</th>
<th>Other methods</th>
<th>Assessment by external experts</th>
<th>Survey (questionnaire)</th>
<th>Self-assessment workshops</th>
<th>Peer-review</th>
<th>No answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total of returned questionnaires</td>
<td>33</td>
<td>24</td>
<td>16</td>
<td>15</td>
<td>15</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>% of returned questionnaires</td>
<td>52%</td>
<td>38%</td>
<td>25%</td>
<td>23%</td>
<td>23%</td>
<td>9%</td>
<td>9%</td>
</tr>
</tbody>
</table>

16. Does the assessment of internal control in public sector entities take the following into consideration? (more than one answer possible)

<table>
<thead>
<tr>
<th></th>
<th>Compliance with legal acts and regulations</th>
<th>Cases of fraud, corruption, misappropriation, unethical conduct found</th>
<th>Reliability of financial statements</th>
<th>Effectiveness of the implementation of objectives and tasks set by the entity management</th>
<th>Other</th>
<th>No answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total of returned questionnaires</td>
<td>50</td>
<td>39</td>
<td>38</td>
<td>34</td>
<td>11</td>
<td>6</td>
</tr>
<tr>
<td>% of returned questionnaires</td>
<td>78%</td>
<td>61%</td>
<td>59%</td>
<td>53%</td>
<td>17%</td>
<td>9%</td>
</tr>
</tbody>
</table>
17. Does the assessment consider all the components of internal control?

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
<th>No answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total of returned questionnaires</td>
<td>38</td>
<td>21</td>
<td>5</td>
</tr>
<tr>
<td>% of returned questionnaires</td>
<td>50%</td>
<td>33%</td>
<td>8%</td>
</tr>
</tbody>
</table>

18. In the countries, where the assessment does not consider all the components of internal control, the following components are covered in internal control assessment (more than one answer possible):

<table>
<thead>
<tr>
<th></th>
<th>Control mechanisms/activities</th>
<th>Control environment</th>
<th>Risk management</th>
<th>Monitoring and assessment</th>
<th>Reporting on fraud and corruption</th>
<th>Information and communication</th>
<th>None of the above</th>
<th>Not applicable</th>
<th>No answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total of returned questionnaires</td>
<td>16</td>
<td>13</td>
<td>11</td>
<td>10</td>
<td>8</td>
<td>4</td>
<td>6</td>
<td>38</td>
<td>8</td>
</tr>
<tr>
<td>% of returned questionnaires</td>
<td>25%</td>
<td>20%</td>
<td>17%</td>
<td>16%</td>
<td>13%</td>
<td>6%</td>
<td>9%</td>
<td>59%</td>
<td>13%</td>
</tr>
</tbody>
</table>

19. What is the reporting on internal control focused on in public sector entities? (more than one answer possible)

<table>
<thead>
<tr>
<th></th>
<th>Compliance with legal acts and regulations</th>
<th>Reliability of financial statements</th>
<th>Effectiveness of the implementation of objectives and tasks set by the entity management</th>
<th>Cases of fraud, corruption, misappropriation, unethical conduct found</th>
<th>Other</th>
<th>No answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total of returned questionnaires</td>
<td>46</td>
<td>35</td>
<td>32</td>
<td>31</td>
<td>10</td>
<td>8</td>
</tr>
<tr>
<td>% of returned questionnaires</td>
<td>72%</td>
<td>55%</td>
<td>50%</td>
<td>48%</td>
<td>16%</td>
<td>13%</td>
</tr>
</tbody>
</table>

20. The template for reporting on internal control includes the following elements (more than one answer possible):

<table>
<thead>
<tr>
<th></th>
<th>Assessment of the state of internal control</th>
<th>Internal control deviations/discrepancies</th>
<th>Planned activities to be undertaken with a view to improve internal control</th>
<th>Basis for assessing internal control and sources used for assessment</th>
<th>Activities to improve the internal control system planned for the year to which the statement applies</th>
<th>Other</th>
<th>No answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total of returned questionnaires</td>
<td>33</td>
<td>29</td>
<td>24</td>
<td>22</td>
<td>18</td>
<td>11</td>
<td>13</td>
</tr>
<tr>
<td>% of returned questionnaires</td>
<td>52%</td>
<td>45%</td>
<td>38%</td>
<td>34%</td>
<td>26%</td>
<td>17%</td>
<td>20%</td>
</tr>
</tbody>
</table>

21. If a report on internal control comprises an overall assessment of the state of internal control, what is its form?

<table>
<thead>
<tr>
<th></th>
<th>There is no scale for assessment</th>
<th>There is a scale for assessment</th>
<th>No answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total of returned questionnaires</td>
<td>30</td>
<td>19</td>
<td>15</td>
</tr>
<tr>
<td>% of returned questionnaires</td>
<td>47%</td>
<td>30%</td>
<td>23%</td>
</tr>
</tbody>
</table>

In the countries which use a scale for assessment, the following scales were indicated:

- from 1 (completely not applicable) to 5 (completely applicable);
- very good/good/satisfactory/unsatisfactory;
- high/medium/low;
- compliance/partial compliance/non-compliance;
- the internal control system is effective/the internal control system is operating, but some minor improvements are necessary/the internal control system is operating, but essential improvements are necessary/the internal control system is not effective;
- the scale is verbal (without obligation to use standard words).

---

3 According to the COSO model, internal control components are the following: control environment, risk assessment, information and communication, control activities, monitoring.
SECTION 3: ASSESSMENT OF REPORTS ON INTERNAL CONTROL AND AUDITING OF INTERNAL CONTROL

22. Who provides the assurance on the reliability and transparency of the report on internal control? (more than one answer possible)

<table>
<thead>
<tr>
<th>Entity’s internal audit</th>
<th>External audit</th>
<th>Competent ministry responsible for internal control methodology (usually the Ministry of Finance)</th>
<th>Other</th>
<th>No answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total of returned questionnaires</td>
<td>34</td>
<td>31</td>
<td>18</td>
<td>8</td>
</tr>
<tr>
<td>% of returned questionnaires</td>
<td>53%</td>
<td>48%</td>
<td>28%</td>
<td>13%</td>
</tr>
</tbody>
</table>

23. Has the role of internal audit in the internal control assessment process been identified?

<table>
<thead>
<tr>
<th>Total of returned questionnaires</th>
<th>Yes</th>
<th>No</th>
<th>No answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of returned questionnaires</td>
<td>63%</td>
<td>30%</td>
<td>8%</td>
</tr>
</tbody>
</table>

24. Has the role of internal audit in reporting on internal control by public sector entity been identified?

<table>
<thead>
<tr>
<th>Total of returned questionnaires</th>
<th>Yes</th>
<th>No</th>
<th>No answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of returned questionnaires</td>
<td>53%</td>
<td>34%</td>
<td>12%</td>
</tr>
</tbody>
</table>

25. Is the SAI obliged to conduct audits aimed at assessing internal control in public sector entities? (more than one answer possible)

<table>
<thead>
<tr>
<th>Total of returned questionnaires</th>
<th>Yes, in financial audits</th>
<th>Yes, in compliance audits (if they are conducted separately)</th>
<th>Yes, in performance audits</th>
<th>No</th>
<th>Yes, other</th>
<th>No answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of returned questionnaires</td>
<td>66%</td>
<td>41%</td>
<td>38%</td>
<td>20%</td>
<td>5%</td>
<td>5%</td>
</tr>
</tbody>
</table>

26. Does the SAI, as a result of its audits, report on internal control of a public sector entity? (more than one answer possible)

<table>
<thead>
<tr>
<th>Total of returned questionnaires</th>
<th>Yes, in an audit report</th>
<th>Yes, in a separate document, e.g. a letter to the management</th>
<th>Yes, in other documents</th>
<th>No</th>
<th>No answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of returned questionnaires</td>
<td>86%</td>
<td>23%</td>
<td>6%</td>
<td>5%</td>
<td>5%</td>
</tr>
</tbody>
</table>

SAIs which give an overall assessment of internal control, do it in the following manners:
- non-systematic overall assessment (in the form of a specific chapter of the report);
- meets the requirements/partially meets the requirements/does not meet the requirements;
- very good/good/satisfactory/poor;
- very well/well/satisfactory/unsatisfactory;
- strong/weak.

27. In what form does the SAI report on internal control? (more than one answer possible)

<table>
<thead>
<tr>
<th>Total of returned questionnaires</th>
<th>The SAI informs the management about deficiencies in internal control, but does not give an overall assessment of internal control</th>
<th>The SAI informs the management about deficiencies in internal control and gives an overall assessment of internal control</th>
<th>Other form</th>
<th>No answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of returned questionnaires</td>
<td>86%</td>
<td>16%</td>
<td>6%</td>
<td>9%</td>
</tr>
</tbody>
</table>
When answering “Yes”, the respondents were asked to give suggestions; these were the following:
- COSO ERM;
- Examples of reporting on statements on internal control should be included, as the present INTOSAI GOV 9110 focuses only on the components of internal control;
- To include a description of the use of surveys and peer reviews as internal control assessment methods;
- To disseminate, at the national level, good practices evidenced to be followed and bad practices to be preventively avoided;
- Presentation of examples of reporting done by SAIs on internal control in the public sector;
- To include the most recent experiences of SAIs from various countries and consider the recent financial crisis;
- To include a template for a report;
- The document should be re-written in the form of a standard, and not as a discussion document. It is currently not useful and is out of date;
- More examples on components of internal control – sample tools, templates, scale system etc. for an overall assessment of internal control system;
- Specific roles of internal audit and management.
List of countries which responded to the questionnaire on internal control reporting

**EUROSAI**
1. Austria
2. Belgium
3. Bosnia and Herzegovina
4. Bulgaria
5. Cyprus (declares also membership in ASOSAI)
6. Czech Republic
7. Denmark
8. Estonia
9. Finland
10. France
11. Georgia (declares also membership in ASOSAI)
12. Germany
13. Hungary
14. Iceland
15. Italy
16. Latvia
17. Lithuania
18. Netherlands
19. Malta
20. Norway
21. Poland
22. Portugal (declares also membership in OLACEFS)
23. Russian Federation (declares also membership in ASOSAI)
24. Romania
25. Slovakia
26. Sweden
27. Turkey (declares also membership in ASOSAI)
28. Ukraine

**ARABOSAI**
37. Jordan
38. Kuwait (declares also membership in ASOSAI)
39. Saudi Arabia (declares also membership in ASOSAI)
40. Yemen (declares also membership in ASOSAI)
41. Qatar (declares also membership in ASOSAI)
42. United Arab Emirates (declares also membership in ASOSAI)

**AFROSAI**
44. Côte d’Ivoire
45. Egypt (declares also membership in ARABOSAI)
46. Republic of South Africa
47. Rwanda
48. Uganda
49. Zimbabwe
50. Zambia

**OLACEFS**
51. Belize (declares also membership in CAROSAI)
52. Brazil
53. Chile
54. Columbia
55. Costa Rica
56. Honduras

**PASAI**
57. Kiribati
58. Maldives

**CAROSAI**
59. Bahamas

**Countries which did not declare membership in any Regional Working Group**
60. Salvador
61. Lesotho
62. United Republic of Tanzania
63. United States of America
64. Philippines
The April 2013 issue of INTOSAI Journal is structured according to ten chapters, featuring the latest information on external public audit at international level.

**The Editorial by Mr. Liu Jiayi, Auditor General of China and First Vice-Chairman of the INTOSAI Governing Board is XXI INCOSAI: Building Consensus to Overcome Challenges.**

Mr. Liu Jiayi deals with the XXI INCOSAI Congress to be held in Beijing, China, in October 22–27, 2013. In his opinion, this event is extremely significant, since leaders and representatives from the whole world are going to celebrate together the 60th INTOSAI anniversary and 50 years of SAI Austria’s chairmanship of the General Secretariat.

Mr. Liu Jiayi then makes an overview of INTOSAI evolution and achievements since its establishment and up to date, and highlights the significance of this organisation’s role for the joint development of SAIs, through the promotion of collaboration, based on experience exchanges, knowledge and skills sharing, adoption of new audit standards, drafting of manuals and methodologies meant to enhance external public audit, an activity through which SAIs contribute to the establishment of a credible social and economic development, which eventually would bring about good governance at global level.

After a brief analysis of the existing economic and social situation at global level, Mr. Liu Jiayi mentions the effort that needs to be made by everyone to transition the deep changes required to attain efficiency of good governance of an international economic system.

Mr. Liu Jiayi highlights: “The international audit environment needs to set further new targets, relevant in this respect."

In this context, INCOSAI XXI has the mission to identify the required changes and to build consensus to adopt the measures to implement them.

**“Thoughts From the Chairman of the Board”** includes an article named “A Conscious Move toward Global Activism”, written by Mr. Terence Nombembe, Chairman of the INTOSAI Governing Board and Auditor - General of South Africa.

The article deals with the role of INTOSAI in its capacity as an extremely important organization in charge of setting the direction of SAIs activities, at global level, underlining the fact that the International Audit Standards (ISSAIs) are a rich source of reference which make it possible for all SAIs to internalise operation principles and guidelines on the fulfilment of requirements to attain good governance.

**“News in brief” lists the latest information on the activity of a number of SAIs, INTOSAI members.**

**ROMANIA:** There is an article on page 12 referring to the Romanian Court of Accounts. It is called “Recent Developments at the Court of Accounts”, and features the following information:

– The Romanian Court of Accounts has issued its public report for 2011, presenting the findings and conclusions of audits performed during 2012 for fiscal year 2011. This report contains several new features,
including separate chapters on performance audit and internal/managerial control systems of the audited entities. The report has been submitted to the Parliament and is available on the Court’s website.

- The performance audit manual has been updated. The manual is designed to help ensure high quality performance audit and to enhance the professional expertise of the Court’s external public auditors. It was developed according to ISSAIs 3000 and 3100, keeping in view the exposure draft of ISSAI 300.

- The new six chapters in the manual provide a general understanding of performance audit and its principles, details for each stage of performance audit (planning, execution and reporting), and the factors needed to ensure audit quality during all stages of the audit.

- The Romanian Court of Accounts also developed guidance on conducting environmental audits that are to be implemented in 2013. This guidance presents mechanisms for all stages of the environmental audit process, taking into consideration the diversity of potential environmental audit topics and objectives, as well as the methods for collecting and analysing available field data. It was developed in accordance with level 4 of the ISSAI framework: ISSAIs 5110, 5120, 5130, and 5140.

Furthermore, on establishing them, consideration was given to the organisation and conduct of the Court’s activities, the follow-up on reports resulting from these activities, the Court’s audit standards and best practices in environmental audit.

**On page 15, under the Editor’s Note, there is an article called “An Overview of the Cour des Comptes de France”.

This article is based on a presentation made by the French Court of Accounts at the PASAI Congress held in New Caledonia, in October 2012. It outlines the unique characteristics of the Court of Accounts’ model for SAIs.

The French SAI, the Court of Accounts (Cour des Comptes), represents a very specific model that encompasses about a third of the world’s SAIs, primarily in Europe, Africa, and South America. This article seeks to explain this jurisdictional model that, having existed for centuries, still retains characteristics useful for the modern world to ensure independence and fight corruption.

The court’s jurisdictional powers are the original characteristic of the French model. Members of the Court are independent magistrates who cannot be removed from office.

Another unique characteristic of the Court of Accounts is the diversity of the magistrates’ skills. They are appointed by decree of the President of the Republic.

Another important feature of the French Court of Accounts is its equidistance from both the Parliament and the Executive. The court is subordinated to neither of these institutions.

**On page 19, SAI Hungary publishes the article: “Using Online Communication to Enhance SAI Performance”.

Besides the official site, SAI Hungary set up an additional web address to provide the public with new information in a timely manner. The official site shall publish only the most important news and events, while the additional one shall publish a wider range of data on the activity of SAI Hungary as well as other public interest news. The main aim of the on-line communication channel extension was to encourage partners (the public, media, MPs) to consider the new site as a primary source of information regarding its activity. To attain this target, new methods need to be approached in the public communication process. That is which it was necessary to change the institutional attitude to a certain extent, which proved that if an organisation introduces novelties in its activity and received the foreseen feedback, then the commitment and involvement employees in the fulfilment of objectives increases proportionally.

**On page 24, Mr. Terence Nombembe, Auditor-General of South Africa, publishes the article called “Auditing Government Performance Information”.

Legislation in South Africa has highlighted the importance of auditing performance information. The Public Audit Act requires the Auditor-General of South Africa to express an audit opinion or a conclusion on the performance information reported by South African government institutions.

In South Africa, the audit of performance information is conducted in accordance with the requirements of the Public AuditAct.

The audit of performance information is an integral part of the annual regularity audit process in South Africa and confirms the credibility of the performance information government institutions report annually. This audit should not be confused with performance auditing, which can be defined as an independent audit of the management measures governments institute to ensure economical procurement and efficient and effective utilization of resources.
**“Inside INTOSAI”**

- The Capacity Building Committee issues the guide “Implementing the International Standards for Supreme Audit Institutions (ISSAIs): Strategic Considerations”. Under the coordination of the Swedish National Audit Office, the Capacity Building Committee, in cooperation with the Professional Standards Committee, has issued the guide Implementing the International Standards for Supreme Audit Institutions (ISSAIs): Strategic Considerations. The guide highlights areas such as the benefits of implementing the ISSAIs, change management considerations, different audit environment and the use of resources. The guide also helps identify the steps to take before implementation.

- Subcommittee on peer review

SAI Slovakia took over the chairmanship of Subcommittee 3 within the Capacity Building Committee following the decision voted at the INTOSAI Governing Board Meeting, which was held in China, in the period 19 – 22 November 2012. This Sub-committee coordinates the peer review on quality assessment and good practice promotion.

- Working Group on Environmental Auditing

The Secretariat of the Working Group on Environmental Auditing (WGEA) has issued a report on the results of the WGEA’s Seventh Survey on Environmental Auditing, which was conducted among INTOSAI members, from February–May 2012. The report summarized contributions from 118 SAIs that either filled in the questionnaire or stated that they had not conducted or were not planning to undertake audits on environmental matters in the near future. The report identified many important trends that reflect general developments in the performance audit practices of SAIs around the world. The full report of the seventh WGEA survey, which includes results broken down according to INTOSAI regions, is available at www.environmental-auditing.org

The 15th meeting of the INTOSAI Working Group on Environmental Auditing (WGEA) was held June 3–6, 2013, in Tallinn, Estonia. The draft work plan for 2014–2016 was endorsed at the meeting and will be subsequently approved.

- Working Group on Accountability for and Audit of Disaster-related Aid

In January 2013, the Professional Standards Committee published the exposure draft INTOSAI GOV 9250, Integrated Financial Accountability Framework: Improving information on financial flows of humanitarian aid.

The endorsement version of INTOSAI GOV 9250 will be presented to the seventh meeting of the working group, in Chile, in May 2013 and then to INCOSAI, in China, in October 2013.

- Finance and Administration Committee Meeting

On October 16, 2012, the National Audit Office of the United Kingdom hosted the eighth INTOSAI Finance and Administration Committee meeting in London.

**“In the Editorial of the July 2013 issue, former Comptroller and Auditor General of India, Mr. Vinod Rai, contributes an article called “Reflections on INTOSAI’s Development and Future Challenges”**

In time, the INTOSAI built on the foundation laid in Lima and its reiteration and consolidation in Mexico and has emerged as a champion of SAI independence.

Based on sustained efforts, INTOSAI developed and had outstanding achievements, among which:

- formulating SAI auditing standards and guidance on best practices for good governance;
- building a partnership with multilateral international donors and national development agencies to promote SAIs capacity building in institutions in need of such efforts; and;
- supporting INTOSAI member SAIs in the process of implementation of the ISSAIs and in the efforts made to cope with the changes and challenges involved by the global economic and social situation.

These developments also underscore the fact that INTOSAI is a catalyst in a paradigm shift in the way public audit is perceived today and its relevance to modern societies is demonstrated. In a few months, INTOSAI will be adopting a standard that asserts the values and benefits of SAIs.

With increasing globalization and interdependence between national economies, tremors are felt in one corner of the world when financial or economic imbalances occur in another.

All of this poses huge challenges to SAIs’ capability, effectiveness, and credibility and to the skill base needed to support their respective governments in meeting these situations. SAIs have a role in predicting and preventing economic and financial crisis—like the recent the European debt crisis—by red-flagging areas requiring government intervention.

The INTOSAI community responded to such challenges with both alacrity and foresight, based on mechanisms that are
activated almost on reflex to deal with issues that engage the attention or demand the response of the organisation. In this respect, INTOSAI established committees, subcommittees, working groups, and task forces preparing audit guidance in diverse areas. The most remarkable development in recent times has been the formulation and adoption of ISSAIs, which “we can now proudly call our standards”, says Mr. Vinod Rai. This is the most important reform, achieved at SAIs level, to promote a culture of professionalism in SAIs and support the adoption of recognized best practices.

“Thoughts from the Chairman of the Board” includes the article titled: “Facilitating Action on Independent SAI Reports: Tying up Loose Ends with Those Charged with Governance”, written by Terence Nombembe, Chairman of the INTOSAI Governing Board and Auditor-General of South Africa.

The article highlights the importance of partners’ attitude to auditors’ work in order to optimize the quality of the information audited.

In this regard, ISSAI 1260: Communication with Those Charged with Governance is quite explicit and exhaustive about the conditions and interventions that we should take advantage of, in order to create a successful relationship with those charged with governance.

Mr. Terence Nombembe focuses in this article on a few practical steps that can be used as the basis of a consistent and persistent conversation with government leadership. These steps will always enhance the quality of our advice to them and maximize mutual understanding.

1. Submitting reports to reflect citizens’ expectations, which may become important tools for government leadership.
2. Setting up an internal control system that would consolidate the credibility of government reports.
3. Building an efficient, responsible and monitored system of government based on discussions and analyses established jointly with government leadership.
4. The final strategic step is the promotion of a performing management required to promote government organisational culture.

Discussions with government leadership, focussed on these strategic issues can have a positive impact on public sector professionalism promotion.

**“News in Brief”**

**ROMANIA**

On page 10 there is an article on the Romanian Court of Accounts. The title of the article is “Romania: Visit to the Spanish Court of Audit” and deals with issues of the official visit made in April 2013, by a delegation of the Romanian Court of Accounts headed by President Nicolae Vâcăroiu, at the invitation of Ramón Alvarez, the Spanish homologue. The two presidents discussed institutional cooperation within INTOSAI and EUROSAI, as well as bilateral cooperation between the Romanian Court of Accounts and the Spanish Court of Audit.

They also discussed the Spanish SAI’s institutional framework and relationship with the Parliament, carrying out the audit function in an environment of deep economic crisis and public spending constraints, the Spanish SAI’s jurisdictional function and contributions to the fight against fraud and corruption, as well as aspect relating to their experience in auditing EU funds.

The Romanian delegation also met with members of the Joint Commission of the Spanish Parliament for Relations with the Spanish Court of Audit.

**“Common Principles for Audits of Public Contracts: An Opportunity for INTOSAI Cooperation”** is the article on page 13, written by Aleksandr Piskunov, from the Accounts Chamber of the Russian Federation.

This article describes the way in which the proposal of the Russian SAI proposed at Chengdu, China, last year namely to establish a new task force on audits of public contracts within the INTOSAI.

SAIs interested in knowing more about the task force and its work are invited to contact the Russian SAI at inorg@ach.gov.ru.

The SAI of the Russian Federation proposes that the bodies auditing public contracts should work together to identify a set of common principles which would orient audits so that they are genuinely useful in making contracts concluded with government entities more efficient.
To implement this initiative, SAI set the objective to check efficiency in identifying public requirements. Most of them have accumulated a lot of experience in the public sector audit and have enough relevant methodological documentation to enable them to conduct a careful verification and an effective assessment.

The procurement performance model is one of the most important and useful documents; it is established and updated by the Work Group on Public Procurement within EU member states SAI’s Contact Committee.

The task force would have the following objectives:

- To develop a common set of principles for public procurement audit consistent with the INTOSAI’s fundamental auditing principles and core values as well as relevant international documents, such as the Model Law on Public Procurement of the UN Commission on International Trade Law.

- To translate these general principles into operational guidelines covering audits of the entire procurement cycle, including planning and preparation of the procurement, pricing, value for money assessment, tendering and supplier selection, contract management, and contract evaluation.

- To establish manuals on public contract audit in specific sectors and areas, that are of urgent interest for SAI’s. Task force activities and focus areas will need to have an appropriate degree of flexibility. They will need to address practical issues and needs of countries with mature public procurement systems in keeping with the national standards and regulations.

The INTOSAI Working Group on the Value and Benefits of SAI’s (WGVBS) launched the project ISSAI 2: The Value and Benefits of Supreme Audit Institutions—making a difference to the lives of citizens and exposed it to the INTOSAI community for comment.

Draft ISSAI 2 provides guidance to SAI’s on how they can be relevant to their societies by:

- strengthening the accountability, integrity, and transparency of government and public entities;
- demonstrating ongoing relevance to citizens and other stakeholders;
- being model organizations that lead by example.

In Johannesburg, at INTOSAI XX Congress of 2010, the members of this work group were established: AFROSAI –E and CREFIAF. It is coordinated by the INTOSAI-Donor Secretariat within the INTOSAI Development Initiative (IDI).

The WGVBS focussed on the impact of SAI’s activity for society, in other words on the values and benefits they offer.

The performance measurement framework (PMF) established by the WGVBS consists in a set of measurement indicators and guidelines to analyse performance quality. Performance is measured by means of 24 indicators from 7 domains. All indicators have in view two aspects: one provided in legal frameworks, and the second one happening in practice. The influences of external factors are listed in a separate report.

In parallel, a second pilot project is to be launched in 2013, which would allow for the testing of the work framework in relation to the wide range of SAI’s models in the world.

Additional information is available at the web address: intosai.donor.idi.no.