

GREAT BRITAIN AND GERMANY SUPREME AUDIT INSTITUTIONS

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Overall progress recorded in contemporary society, has increased at the same time the aspirations and expectations of the population, marked by phenomena which are based on the financial policy of the Executive. Of course, for the legislature to know the financial activity carried out by the Executive Board, in each State was established a Supreme Audit Institution (SAI), whose independence is guaranteed by the Constitution, as it is in Germany, or by law, as is the case of the United Kingdom. The variety of powers of supreme audit, is the result of various economic areas, each demonstrations through specific activities and suitable approaches to organizational cultures, which gives them their distinct identities. The work is conducted under the public responsibility with an emphasis on developing and improving continuously audit methodologies to present best practices. The two supreme institutions operate according to an annual plan of action which includes financial audit or regularity and performance auditing actions, and additional Federal Court of Audit of Germany practice preventive control institutions contained in its area of activity. By tradition, the role of supreme consists of the evaluation as regards the legality and regularity of financial management and accounting, but since the 80's but it was noticeable trend internationally to audit performance or "value for money" (United Kingdom), since the latter refers to the essence of the problem and is the final attainment of the envisaged at the time of allocation of resources. The topic researched is distinguished by originality, marked being the fact that a area so important as that of external public audit is least known works, and I wish to point out the vacuum bibliographic Supreme Audit Institutions experience in the international arena and beyond. Research methodology consists in the evaluation of resources in the area, using foreign literature. For the study of the subject of this material have been followed the official sites of the Federal Court of Audit of Germany and of the National Audit Office of United Kindom, including consulting on hypothetical case studies submitted by the specialists of the two institutions on the occasion of seminars held at the Romanian Court of Auditors. This work focuses on developing institutional development, role, experience and traditions performed in the field of external public audit, as well as their relationship with the Parliament, including the measures taken as a result of recovery audit reports. Thus, the supreme institutions analysed may constitute "models" for Romania's economic reality. In our opinion, any "model" should be adapted to the situation on the field and in this case the model becomes the solution. An assessment of the current business of the supreme audit institutions, we ask where is heading and how they will look in the future. Perhaps the future will provide this response.

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1. Introduction

Supreme Audit Institutions (SAI) of all democratic states in the modern world, united in INTOSAI, are fundamental state institutions, have institutional independence, have stability and the activity results are materialized in reports whose format and presentation have evolved in time, with a strong professional character due to the accession to the International Standards of Supreme Audit Institutions (ISSAI). Also the main activity objectives are legality and regularity use of public and private property funds and state economy, efficiency, and effectiveness of financial management, each one of these has the same degree of importance. Legislative and executive knowledge of all economic activities that takes place in the economic systems, as its development conditions, firstly results from the requirement of ensuring a permanent background information, which would provide the constitution basis, structure, practical implementation and tracking decisions, related to actual status of operations approved by the Executive Board. On it's turn, public opinion shows an increased interest for budgetary policy, especially, in the

distribution of resources accordingly to priorities, their use with maximum economic and social efficiency, in order to ensure a balance needs-resources.

From studies performed on the bibliographic resources it appears that the 27 Supreme Audit Institutions from U.E member states, although it varies greatly in structure and as organization and operation manner, the essence of attribution remains the same - the examination and reporting related to use of the public funds. Thus, in the U. E. there are four main categories of SAI, distinguished, primarily, by legal status and the institutional leadership, as follows:

Description category SAI	27 SAI of Members States U.E.
“ <i>The Supreme Courts of Audit</i> ” with a juridical function	Belgium, France, Greece, Italy, Spain, Portugal
“ <i>Collegial Structures</i> ” without juridical attributions	Czech Republic, Germany, Luxembourg, Netherlands, Slovakia, Romania
“ <i>Independent audit offices</i> ” presided by a Chairman or General Auditor.	Bulgaria, Cyprus, Denmark, Estonia, Finland, Ireland, Latvia, Lithuania, Malta, Great Britain, Poland, Sweden, Hungary
“A distinct model”, presided by a President and the audit process is performed at central, regional and local level	Austria and Slovenia

Source : *Processed by the author after State Audit in the European Union, The National Audit Office, United Kingdom 2005, p.4.*

Certainly, the 27 SAIs require a comprehensive study, therefore for the current material, the objective of the study is the Federal Court of Audit of Germany (Federal Court), and the National Audit Office of the Great Britain (NAO). The motivation for the two chosen SAI sites consists into the following: its’ tradition and experience in the field of audit, its have different judicial structures and in the "Programme of vocational training for the staff of the Court of Auditors of Romania", in 2001 experts of NAO and, in 2006, the Federal Court specialists have shared from their knowledge and experience in financial audit performance domain due to seminars sustained by them in Romania.

2. Supreme Audit institutions organized as "Collegial Structures" with no juridical responsibilities

Although they are called Courts – Audit Federal Court of Germany, The Court of Auditors of the Grand Duchy of Luxembourg – these are organizations as College" type "with no juridical responsibilities. Because at the EU level there are no glossary of terms concerning the significance of public administration institutions, the ambiguity of the term "Court" attributed to these “Collegial Structures”, signifies rather the judicial competences of Supreme Audit Courts.

2.1. The Federal Court of Audit of Germany (*Bundesrechnungshof*)

It is "The Supreme Federal Authority" specialized on federal public audit domain, responsible for examining government operations and transactions, for reporting on its findings and advisory entities audited on the basis of experience gained, and as “ independent institution compared to the legislative, executive and judicial powers shall be subject only to the law”. (Bundesrechnungshof Act, 1985: 1). Statute of the Court, the juridical independence of the members in the exercise of its essential functions are sets by art. 114 section 2 of the German Constitution. Basically, the implementation of federal legislation and federal policies are made at the level of the Federal Laender which “have autonomy (its own Constitution containing certain principles laid down in the fundamental law of the German State, Parliament, Government and Administration) and the appropriate finance "(Gunlicks, 2007: 114) but are not sovereign. As the administrative leadership, the eight Federal Audit Offices, accordingly to the official website of the Federal Court (<http://bundesrechnungshof.de>) have structure, rights and obligations similar to

those of the Central Federal Court. Audit functions, subjects, criteria and procedures are provided in the federal budget Code (sections 88-114) (German federal budget code, 1969: 20-25), in conjunction with section J. Federal Court Audit provided in the budgetary system of the Federal Republic of Germany (Knörzer, T and Bundesministerium der Finanzen, 2008: 47-51). According to the last two bibliographic references, the Federal Courts role is to examine the accounts from the federal government which is including all government agencies, special governmental funds and federal government enterprises, and private law enterprises accounts, which is administering federal governmental funds, which are not part of inside administration federal. Principles of activity of Federal Court consists in ex post audit of the entire financial management of public federal state, although Heller Karl and Wolff Hans-Jürgen believes that: “a full examination is not practically possible due to the size annual budget of Germany”, and of the relatively low number of officials (about 1300), according to the official website of the Federal Court previously mentioned. Even if it would use samples techniques, it would not cover the whole area of the various fields in order to be audited, or “it may limit the scope of audits, and also and to not audited certain accounts “(Heller and Wolff 1996: 125-127). In order to eliminate de problems which may occur due to exclusion of certain entities auditing, the Federal Court appeals to the preventive control, although among SAIs, the few sites, which apply this type of operation of the institutions included in it's area of activity. We mention here that those SAIs which apply preventive control. These are: Belgium, Greece, Italy, Portugal, all have in the its own structure the jurisdictional component.

Also, given the administrative reform and public finance, based on new public management(NPM), began in mid 1980s, in the English countries such as Great Britain and New Zealand, USA, Canada, Australia; process later extended in northern European States, Including Sweden, Finland and Norway, and the continental states, including the Netherlands and France, the federal Court has decided to implement this theory in Germany too. Certainly, the process took place gradually and was aimed primarily to introduce the idea of efficient management and active in the public sector, as Ogawa & Tanahashi argue that this theory is based on four fundamental principles, listed as follows: 1) decentralization of functions and authorities ; 2)market rules to be extended to public administration settings by introducing public-private partnership (PPP), 3) the approach based on evaluation of performance management on government executive agencies and 4) public accounting system based on engagement (accrual). (Ogawa,H., Tanahashi,K. 2008 : 50-52). Upon this subject, the Federal court specialists shared their experience in a course organized in 2006, at the Romania Accounts Court. As in Romania everything new is seen with skepticism, they must undergo four years to be adopted Law 178 of October 1, 2010, for public-private partnership, published in MO no. 676 of October 5, 2010, and Government Decision no.1239 of 8 December 2010, regarding the approval of Methodological Norms for applying Law 178/2012 as well as for the approval of the reorganization measures relating Central Unit to coordinate public-private partnership in the Ministry of Finance. In our opinion, this model represents a way of relaxation financial public sector, and the two parties involved in the contract (public-private) have limited obligations. However, common activity brings benefits on both sides – on the one hand, the public institution are for the community benefits, and on the other hand, private institutio, are established long term financial benefits (example: highway concessions in France, Italy, Spain).

Regarding the audit activity, the Federal court places ”both regular audits of compliance and financial management as well as performance audit” (Bundesrechnungshof 2005: 15) and on the basis of its findings may provide assistance both the Parliament and the Federal Government. In compliance auditing and regularly, the Federal court examines whether the receipt and payments were properly justified and supported by documents, if budget and capital accounts have been properly prepared in accordance with provisions and regulation in force. In recent years, focused on performance audit, particularly because it applies to the programs or other large scale projects,

and analyzes the appropriate use of funds, by providing an acceptable cost-benefits proportion. Activity results of the Federal Court considered as the "fundamental importance" – which refers to matters of general interest and „signifying financial impact on the federal budget" or in any other manner important decisions are contained in users "annual report to both Houses of Parliament and Federal Government "(Germany's SAI, 2005: 31-34) that is submits to discussion and decide to whether or not discharge the institution audited. Additionally, during the year, Federal Court establish "special reports" regarding the problems of great importance that believes that Parliament and federal Government should be informed without delay. The discharge procedure for the federal government is decided in the separate examination by the two Houses of Parliament (Bundestag and Bundesrat), the Federal Courts annual report. The discharge for the Federal Ministries of Lands is granted by the Federal Ministry of Finance and marks the end of fiscal year budget cycle. In our opinion, the Federal Court is a model for discharge in respect, because this is functioning as a college-type body without juridical responsibilities, discharging procedure is decided by specialized committees of both Houses of Parliament after examining the annual report of the Federal Court.

3. "Independent Audit Offices" presided by a Chairman or Auditor General.

In these SAIs, the supreme power and the most important decisions aimed at the institutional issues also the reports made for Parliament are taken by the Chairman or Auditor General.

3.1. The National Audit Office of Great Britain (National Audit Office-NAO)

Contrast to other countries in which the form of institutional organization, rights and obligations SAIs are provided in Constitution in Great Britain, NAO functions on the basis Audit Department Act of 1866, later modified by National Audit Act 1921 and 1983 applicable today. NAO is the supreme audit institution of public funds without jurisdictional responsibility, and has as objective "to help the nation spend wisely" (NAO 2011:8). Its main role companies benefiting from subsidies and other public bodies exercising responsibilities regarding administration public finances (NAO 2012:10). It also helps these organizations to improve their managerial performance for public services. Parliament (ie Queen, House of Commons and Lords) closely supervises the administration of public finances through NAO and accounting officers of accounts" personally liable to the Public Accounts Committee (PAC) of the House of Commons for how departmental resources have been engaged in the performing its functions" (Butler, Chris 1999:9) regardless of source of funds (national or European). As a results of the performed examinations, PAC makes a report that contains advises and recommendations which is sending to the government, with a copy of the NAO' s report. The government describes these recommendations and report measures taken. According to the Law department of Audit of 1866, Chapter 39, the head of NAO is heading completely " Comptroller General of the receipts and issues Treasury of His Majesty and Auditor General of public accounts", commonly used names is " Comptroller and Auditor General or C&AG " (National Audit Act 1866:2) suggesting that it plays an important role and wide powers over finances and the most important decisions which relating to the objectives and priorities of the institution in this field are taken unilaterally ,but the responsibility of income and expenditure forecast is submitted to Ministry of Finance. The amendments to the Law Audit National in 1983 to the Law in 1866 provided in chapter 44, part I (National Audit Act 1983:4) that the C&AG is head of the NAO , is an officer of the Parliament and in the light of his statutory position he has a high degree of independence. Also he decides upon the annual audit program, on the themes on which NAO will address under the aspect of performance, but accordingly to the 1983 Law he has no right to judge the quality of policy objectives, the examination refers only to the measures taken by departments in order to achieve duties established by the Government and approved by Parliament. NAOs strategy is made based on a 5-year installment plan, which is enhanced all the time as his running.

NAOs activity is carried under the sign of the public responsibility , therefore Ioan Bogdan, former President of the Court of Accounts of Romania, said in 1997, that is one of the “top SAIs” (CCR 1997:80), focusing on development and improvement permanently audit methodologies order to present best practices. Engaged exclusively financial audit and performance audit and through its activity aims lead to the saving funds. Financial audit engagement :

- is directed to” formulating independent and credible an opinion” according to International Standards of Supreme Audit Institutions (ISSAI) 1700 in conjunction with International Standard on Auditing (ISA) 700 – *The formation of an opinion and reporting on financial statements*, on the execution accounts and financial statements of public bodies.

- aims to the accuracy of financial and accounting documents and the legality and regularity of use of public resources (NAO(2001): 76).

According to the training materials provided by specialist NAO, during seminars held by them at the Court of Accounts of Romania in 2001, each mission like this is scheduled in order to respond broadly to the following two questions, namely: ”the funds allocated were used for the purposes approved by Parliament?” ,and ”financial operations are in the accordance with applicable law” (NAO(2001): 22, 62). During the financial audit engagement, auditors obtains evidence as convincing as possible, through reality and force of arguments, because the audit opinion formulated is expressed on behalf of C&AG which is signatory to all audit reports prepared by subordinated auditors. The purpose the task is in two ways:

- either the auditee receives letter in which gives the audit findings accompanied by recommendation or

- either the auditee receives ”audit certificate” (Sigma Papers no. 20,1997:142) and thus guarantees that the PAC can be based on financial statements.

NAO general practice is to comply with all aspects ISAs and Note practical 10. The latter refers to the ” audit financial statements of Great Britain central government sector” and present the context and the key factors of which auditors should consider in the audited financial statements (NAO. October, 2010). Also emphasizes the importance accorded to an audit mission, an objective that emerges from the Chapted 39, Art. 27 of the Act Audit in 1921, which reads: ”All accounts of execution will be reviewed by C&AG, which will provide himself a reasonable assurance that incomes were used only within the limits and for destinations approved by Parliament, and cost effective respected the law” (National Audit Act 1921).

Performance audit was introduced in the NAO activity with the Law of 1983, as a response to requests following terms PAC and NAO reports for system weakness or practices which led to charges that ignored the principle of proportionality. Since there is a definition established by law, the NAO has defined the concept of performance audit in elementary form, through phrase ”value for money” (NAO 2001:74) but paragraph II, section 6 of the Act since the audit 1983 states that in the practice be respected definitions of ” threes E – economy, effectiveness, efficiency ” internationally recognized.(National Audit Act 1983:4). By its nature, performance audit is focused directly on performance with emphasis on resources, achievements, results and expected impact. Lonsdale argues that behind the tracking reports, performance missions are quantified, through ”influence the government practices, financial savings, and impact on the decisions of Parliament” (Lonsdale 2000:74). Most missions that have the performance theme are focused on a theme, a topic that describe the circumstances and connect in order to reach a conclusion, rasher than a standardized statement, but pursued to several government department according to ISSAI 3100 - *The guidelines of performance audit: key principles*.

The difference of the two type of audit consists in that, through in a financial audit mission is probably be noted that the documents financial and accounting reflect reality and operations that contain respect the specific laws , a negative affirmation appears in the case of a mission performance audit if public organisms audited where not achieved, and final objectives considered account when allocating resources (give an example: storage of IT equipment).

NAO activity are known to PAC from the House of Commons, the first chamber of Parliament, through interim reports (during the year) and annual report. During the Parliament work period, takes place biweekly meetings order to discuss potential impact of the audit, especially in financial terms, as a measure of expected results and affects obtained from previous work. Measuring the impact of the NAO annual activity, takes place through quantitative and qualitative evaluation of the significant changes that have been produced by auditors, as a result of its recommendations. For example, Pollit and Roberts provides some severe criticism of the previous stage reports published by C&AG because "all performance reports must be agreed (literally) the officials accountants.... and disagreements can not be presented PAC, but a report in full compliance" (Pollit and Roberts 1994:541), and examples could continue with a report drawn up in 2002 by the Environment Agency that the auditors have brought strong criticism "on the respect of licensing criteria" and in the final report, these criticisms were "vague suggestion for improving the Agency's work", says Sharma (Sharma 2007:299). On the other hand, Wilkinson says about a report prepared by auditors in June 2006 on the National Programme for IT (NPfIT) established at the department of Health "has been heavily modified" so that the published report described as a "whitewash" findings. (Wilkinson 2006: 1317). In other words, some major issues included by auditors in their reports, becomes minor points from the clearing and the NAO proceeds to misinformation PAC probably not taking into account risk assessment and issues that may arise after the audit mission, we consider. According to the Author, NAO activity in two types of audit, may be landmark the Court of Accounts of Romania, especially and because the information provided by the specialists of this institution, although as we have noticed is has gaps.

4.Conclusions

As is it obvious, between the two SAIs exist both the similarities and differences marked by socio-economic features of each state. However the essence task remains the same – "verification of the management of public funds". In Germany, Constitutional Law guarantees for Federal Court and give it a place in the system of Government; unlike- the National Audit Office of Great Britain is established by statute, like other national government institutions. The similarities consists that in whatever juridical form are declared "supreme audit institutions" which it operates independently from legislative power, executive and judiciary and are lead each one by an official with extensive powers for the NAO. According to the 1977 Lima Declaration, SAIs have included in the research area as main activity, the two common types of audit – financial or regularly and performance, and additional, Federal Court practices preventive control, the institutions included in the area of its activity. Regarding the relationship between SAI and Parliament, this is done through specialized committees of Parliament, respectively the Public Accounts Committee of the Bundesrat (Germany) and the House of Commons Public Accounts Committee (United Kingdom), which examines the implementing the recommendations status. The results of SAIs activity are necessary for the Parliament and public opinion generally, highlighting thereby "responsability of those responsible" for managing public funds. In our opinion, the Federal Court combined the role of "public accountant" to that of "management consultant" and the equivalent institution in the UK exercising more the role of "public accountant".

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