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Towards a New Approach to External Public Audit in Romania — A Brief Essay

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Abstract: *Our paper analyzes recent transformations in the field of external public auditing in Romania, with a particular focus on the transition toward a modern, performance-oriented approach aimed at improving processes. The reforms initiated by the Romanian Court of Accounts aim to adopt best international practices, moving away from traditional coercive methods such as „error hunting" and a focus on sanctions. The proposed „pure" auditing approach emphasizes the formulation of actionable recommendations and effective measures, grounded in professional missions and rigorous performance analysis. The paper also highlights the progress made in increasing the transparency of the Court of Accounts' activities, including the development of guidance mechanisms and uniform practices for external auditors and audited entities. In the context of accelerated digitalization, the institution has implemented modern solutions for data collection and processing, contributing to the prompt drafting of reports and providing better assistance to beneficiaries. These developments position Romania's external public auditing on an upward trajectory, with the potential for alignment with the standards of similar institutions in advanced countries, while also offering substantial support to the majority of good-faith entities. To capture the new directions adopted in external public auditing in Romania, after this brief Introduction (1), we focus on the issue of The renunciation of the jurisdictional function of the Court of Accounts (2) and the topic of Breaking away from the past through continuous reform measures (3), concluding with a Conclusions section (4).*

Keywords: *external public audit; efficiency; eliminating coerciveness; openness toward audited entities; actionable recommendations.*

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Introduction

Within the European Union (EU), public oversight represents a vital component of democratic systems, with all 27 member states implementing mechanisms to ensure accountability in managing public expenditures, transparency, and rigorous supervision (Bostan & Hurjui, 2014). Supreme Audit Institutions (SAIs), as independent bodies of external public auditors, oversee the efficient, effective, and economical use of public resources and compliance with applicable regulations governing revenue collection and expenditures (ECA, 2024). Through objective and impartial audit reports, these institutions support parliamentary oversight of governments, contributing to the optimization of policies, programs, public administration, and state financial management (Bostan, 2011, 2010ab). Consequently, they play a significant role in strengthening citizens' trust in democratic oversight mechanisms and fostering effective democracies (ECA, 2024).

In Romania, the Court of Accounts, an institution with a 160-year tradition in 2024, „exercises control over the formation, administration, and use of state and public sector financial resources", applying international auditing standards (RP, 1992; RCoA, 2022a). Its activities are based on three main types of audits—financial, compliance, and performance—targeting various entities, such as: (i) public authorities and institutions; (ii) administrative-territorial units (county councils, municipal, town, and communal administrations); (iii) the National Bank of Romania; (iv) public enterprises; (v) state-majority-owned commercial companies; (vi) social insurance bodies; and (vii) entities benefiting from state financial support. To fulfill its mandate, the institution had 1,966 positions in 2024, of which 82.25% were allocated to audit activities, and a budget of €105.5 million, representing 0.13% of state budget expenditures (ECA, 2024).

The Court of Accounts' annual public report, presented to Parliament, is its central document, highlighting key findings, conclusions, and recommendations from its audit activities (Bostan, 2011, 2010ab). Additionally, the institution publishes an annual activity report detailing its strategy, mandate, organization, staff training, and results achieved (Costea, 2022; Murgescu et al., 2014; RCoA, 1997). It also issues reports to local authorities on local public finances and special reports on topics of major societal interest, submitted to Parliament and other stakeholders (ECA, 2024).

To reflect the new directions adopted in external public auditing in Romania, after this brief Introduction (1), we focus on the issue of The renunciation of the jurisdictional function of the Court of Accounts (2) and

the topic of Breaking away from the past through continuous reform measures (3), concluding with a Conclusions section (4).

Renunciation of the jurisdictional function of the Court of Accounts

Public auditing has been continuously active in Romania for over three decades (1993–2024), according to Bostan (2023). The 2003 constitutional revision marked a significant shift: the jurisdictional powers of the Court of Accounts were transferred to ordinary courts starting in 2004 (Bostan, 2018). The constitutional revision stipulated that „disputes arising from the activities of the Court of Accounts shall be resolved by specialized judicial courts". Until the establishment of these courts, ordinary courts handled such disputes (RP, 2003).

In practice, specialized courts were never established, and administrative and tax litigation sections of ordinary courts continue to handle these cases. The technical complexity of the Court of Accounts' activities and their importance for state budget management highlight the need for specialized courts and corresponding procedures (RCoA, 2022b).

In 2003, the Court of Accounts had approximately 200 financial judges and clerks, later transferred to ordinary courts along with the necessary budget for their operation (RG, 2003a). An emergency ordinance regulated the transfer, appointing financial judges as ordinary court judges by presidential decree, based on proposals from the Superior Council of Magistracy and individual evaluations (RG, 2003b). Financial prosecutors and auxiliary staff were integrated into the Public Ministry's structures following the reorganization of the Court of Accounts, completed through Emergency Ordinance no. 53/2005. The transfer included 102 positions, some occupied by chief financial prosecutors and inspectors (RG, 2005).

The reorganization of the Court of Accounts was also influenced by Romania's preparations for EU accession. A strong and independent Court of Accounts was a critical requirement in this process. At the EU level, SAIs follow organizational models such as the French/Latin, Anglo-Saxon, or Germanic. These models differ in the jurisdictional status of the institutions, with some possessing judicial powers and others not.

Human and financial resources of SAIs within the EU vary significantly between states, even proportionally to the population or the size of the audited budget. In total, nearly 16,000 individuals work in these institutions, with budgetary allocations differing considerably, as illustrated in Figure 1, which presents comparative data on their personnel and budgets.

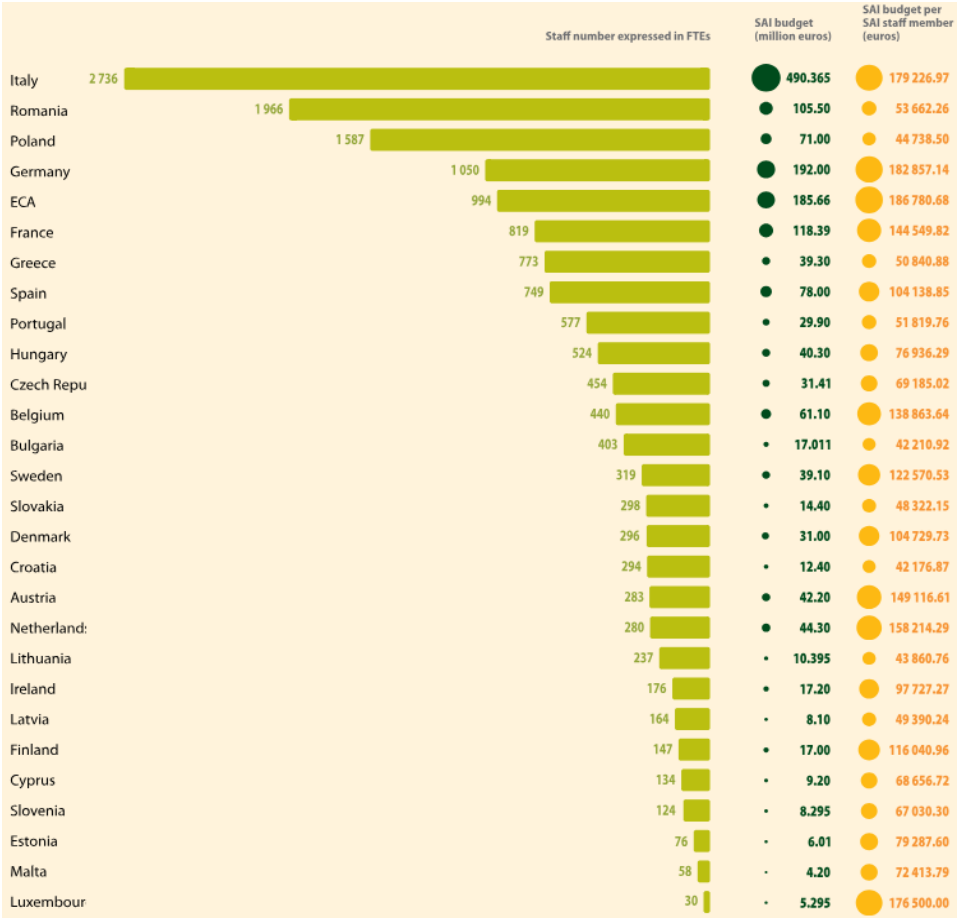


Figure 1. Staffing and budgets of Supreme Audit Institutions in the EU (ECA, 2024)

Supreme Audit Institutions (SAIs) in four major EU member states—Germany, France, Italy, and Spain—serving a combined population of approximately 260 million, employ around 5,500 staff members. In contrast, the remaining member states, with a total population of 190 million, employ approximately 9,500 personnel in their SAIs. Across the EU, there is an average of one employee in these institutions for every 20,000 citizens, though significant variations exist between states. Typically, the budgets of these institutions account for less than 0.1% of the total public administration budget (ECA, 2024).

Financial audits focus on verifying documents, reports, and accounting systems to assess whether financial statements accurately reflect

the economic position of the audited entities and comply with applicable accounting standards. Compliance audits examine whether the activities of audited entities adhere to relevant laws and regulations, while performance audits evaluate the use of public resources in terms of efficiency, effectiveness, and economy (ECA, 2024).

In Romania, although the jurisdictional powers of SAIs can ensure individual accountability and penalties for the illegal use of public funds, the country has opted for a non-jurisdictional model. However, within the EU, countries such as Belgium, France, Greece, Italy, Portugal, and Spain maintain classical court-like structures for SAIs with judicial responsibilities. For instance, the institutions in Spain and Portugal, known as the Tribunal de Cuentas and Tribunal de Contas, respectively, can initiate legal proceedings against fund managers or accountants involved in irregularities (ECA, 2023).

Romania's Court of Accounts has undergone major transformations over the past two decades, transitioning from comprehensive oversight, including preventive checks, to a modern audit approach focused on regularity and performance, aligned with risk management practices. Until 1999, the institution also conducted audits in the private sector and privatization transactions. Currently, it emphasizes a more strategic approach.

By abandoning the previous verification methodology, described metaphorically as „radar around the corner", the Court now promotes active partnerships with audited entities. This new orientation involves constant dialogue, educational seminars, and support to prevent mistakes in public fund management (RA, 2023). This approach is accompanied by clear goals: objective audits without fault-finding or punitive intent, the implementation of recommendations, and digitalization of processes to enhance efficiency despite limited human resources.

The 2003 reform eliminated prior checks and jurisdictional functions from the Court's activities, dismantling the Preventive Control Section and financial prosecutor and judge structures. However, to match the level of similar institutions in Western Europe, Romania still has significant steps to take in modernizing and optimizing the Court of Accounts' performance.

Breaking away from the past through continuous reform measures

The ongoing institutional reform of Romania's Court of Accounts aims for a definitive break from past practices, an objective reaffirmed at the highest levels: "Our priorities include developing modern methodologies for financial, performance, and compliance audits, fully adopting the most advanced international standards, and publishing all reports (a goal already

achieved). We aim to be relevant in society, finalize the implementation of the integrated IT system, and connect to the databases of audited entities. Additionally, we plan to use electronic risk analysis and artificial intelligence to develop a risk-based audit program, thereby improving the quality of our reports." (RA, 2023).

In this direction, the Court of Accounts is implementing a new institutional strategy, complemented by a Digitalization Strategy for 2023–2027. This initiative is part of the DGREFORM project – REFORM/SC2021/107, conducted under Framework Contract no. SRSS/2018/01/FWC/002 and funded by the European Commission. During the project, over 130 specific digitalization requirements were identified (Figure 2), reflecting the institution's commitment to transforming audit processes and adopting advanced technological solutions.

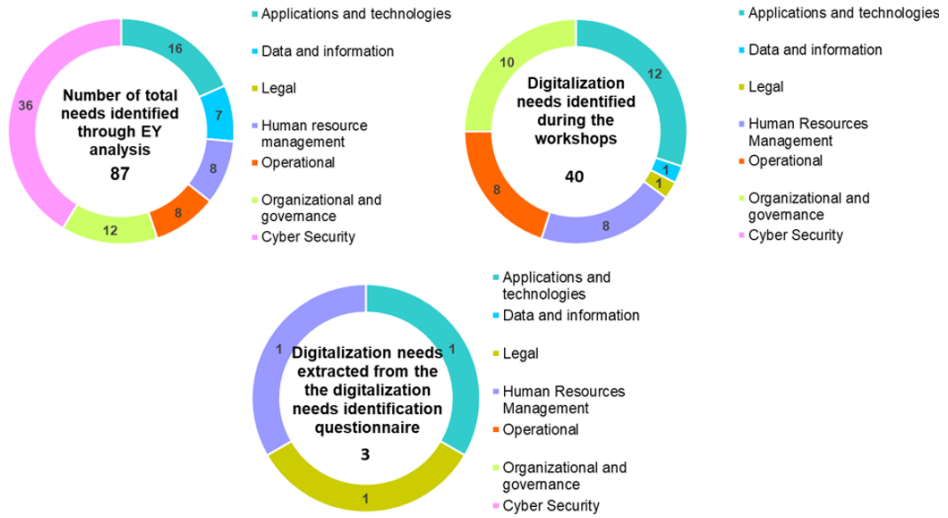


Figure 2. Identifying the digitalization needs of the Romanian Court of Accounts (EUROSAI, 2022)

The digitalization needs were categorized into seven main areas, each significantly impacting various operational activities of the Romanian Court of Accounts. These needs address the availability of processes and procedures, the functionality of existing applications, and the development of digital competencies among the institution's staff (EUROSAI, 2022). Following the identification and detailed assessment of these needs in collaboration with stakeholders, a comprehensive analysis was conducted, leading to several key conclusions summarized in Figure 3.

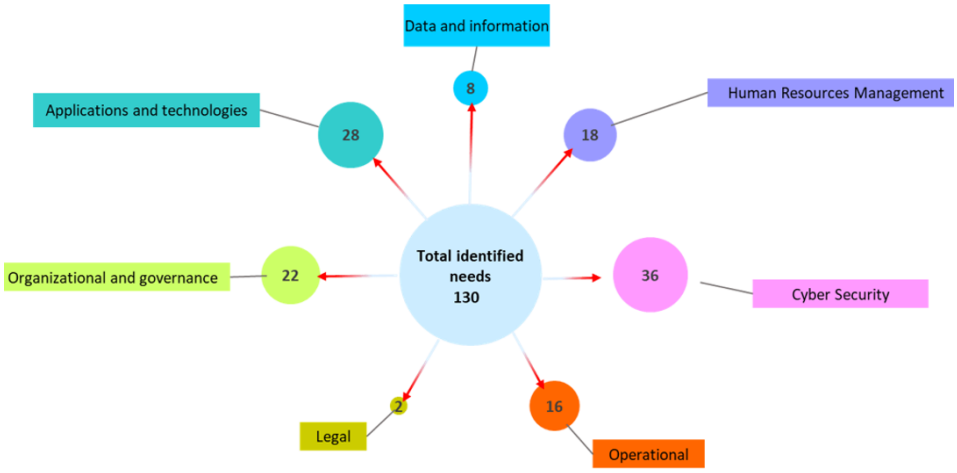


Figure 3. Insights from discussions and detailing of digitalization needs for the Romanian Court of Accounts (EUROSAI, 2022)

The definition of categories and areas for classifying digitalization needs was based on four major levels of focus, which will underpin the digitalization strategy. In this context, the adoption and adaptation of the most effective „best practices" from the activities of Supreme Audit Institutions (SAIs) in advanced countries are particularly relevant.

Unlike traditional approaches, these models exclude „error hunting" or objectives focused on penalties, fines, and damages—often exaggerated or outdated. Modern, „pure" audits abandon the coercive dimension, focusing instead on actionable recommendations and effective measures. These are formulated based on professional missions aimed at performance and process improvement.

In Romania, public external audit has recently made significant strides in this direction. For instance, the Romanian Court of Accounts introduced a dedicated section on its website for guidance and standardized practices. This section publishes decisions of the Commission for Uniform Application of the Law, offering clarifications both to external auditors, ensuring uniform positions, and to audited entities, helping them avoid mistakes. This approach represents a major shift: audits no longer „lie in wait" but aim to support the majority of good-faith taxpayers (97%-98%), helping them operate efficiently and improve by applying received recommendations.

Additionally, progress in increasing the transparency of the Romanian Court of Accounts' activities has been remarkable (Bostan, 2024). Although the pandemic accelerated digitalization, the institution now has a

much more efficient framework for data collection, processing, and analysis, ensuring the timely preparation of reports.

Ultimately, the full implementation of the scheduled measures will enable the beneficiaries of the Court of Accounts' activities to receive relevant recommendations within an optimal timeframe, thus contributing to improved performance in the use of public resources.

Conclusion

Recent developments in Romania's public external audit field highlight a significant evolution toward a modern model focused on performance, transparency, and support for audited entities. By abandoning coercive practices and adopting a „pure" audit model centered on implementable recommendations and rigorous analyses, the Romanian Court of Accounts is taking important steps toward aligning with international standards.

Digitalization and transparency strategies hold the potential to significantly enhance the efficiency and relevance of audit activities, fostering public trust and supporting the effective management of public resources.

This study advocates for a model of public external audit centered on collaboration and prevention, avoiding excessive focus on sanctions and errors, and encouraging instead a culture of continuous improvement. However, the successful implementation of these changes requires both the institution's commitment and the cooperation of audited entities to achieve the set objectives.

Research limitations

This paper is based on a general analysis of transformations in public external audit in Romania, without including concrete case studies or empirical data to illustrate the direct impact of reforms on the performance of audited entities. Moreover, it does not provide a detailed comparison between the Romanian model and other international models, which could have offered a broader perspective.

Future research directions

Future studies should focus on the effects of implementing new strategies on audited entities and the efficiency of public resource use. Additional areas of interest include: (i) Investigating public external audit models; (ii) A detailed investigation of public external audit models in other countries and the identification of best practices applicable in Romania; (iii) An in-depth study of the impact of new technologies, such as artificial

intelligence, on optimizing audit processes; (iv) Research into the views of audited entities and the general public on reforms and their influence on trust in public resource management.

Adopting such directions would contribute to a better understanding of changes in public external audit and strengthen its role as a fundamental instrument in ensuring transparency and administrative efficiency.

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