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# Performance Audit of Public Revenues of the Administrative Territorial Units

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*Diana-Sabina BRANET (ULICI), Ph. D. Student,  
East European Center for Research in Economics and  
Business, West University of Timisoara, Romania,  
e-mail: diana.branet81@e-uvt.ro*

*Univ. Prof. Camelia-Daniela HAȚEGAN, Ph. D.,  
East European Center for Research in Economics and  
Business, West University of Timisoara, Romania,  
e-mail: camelia.hategan@e-uvt.ro*

## Abstract

*The financial indicators reported in the budget execution accounts of the local public administrations have implications in the assessment of the level of performance regarding the achievement of the own revenues of these public entities. The objective of the paper is to examine the causal link between the level of performance in achieving own revenues and that of the financial autonomy of local public administrations. The paper includes a summary of the evolution of legal regulations in Romania specific to local public administration and own revenue management, as well as an analysis of information highlighted in budget execution accounts published by entities for 2018-2020, and the latest annual reports published by the Court of Accounts of Romania regarding the deviations found and the audit opinion formulated following the financial audit missions in order to identify the aspects that may influence the level of performance in achieving its own revenues at the level of local public administrations. The sample consists of territorial administrative units classified as cities in the Western Region of Romania, which are not municipalities and are found in Arad County. The results of the study revealed that some cities had a fairly high level of performance in generating their own revenues, and some reported increasing capital expenditures from year to year, but in most cases the degree of achievement of their own revenues still remains quite low. The conclusion is that the degree of achievement of own revenues is in most cases at a level that needs to be improved, and payments for capital expenditures are still quite low, so none of the cities in the selected sample have the opportunity to be financed exclusively from own revenues.*

**Key words:** performance audit; own revenues; expenditures; public sector; territorial administrative units;

**JEL Classification:** M41, M42, M41, M48

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## Introduction

An important element for the proper functioning of public administration is the trust of citizens in public institutions. This is constantly measured by international organizations because the trust of citizens is considered a good indicator of the performance of public institutions within a state (Radu, 2020). The activity reports of national audit institutions play an important role in the use of public funds, and maintaining a database for a particular process - such as external public audit - is not only a legal obligation, but also serves as a basis for informing researchers and practitioners (Xhani, Avram & Avram, 2020). External public audit activity is imperative in ensuring public sector accountability (Cordery & Hay, 2018). In a democratic state, the existence of trust is essential for the compliance of citizens with a mandatory legal framework (de Vries & Sobis, 2018) and with the tax system. Reputation is increasingly seen as a valuable intangible asset (Boon & Salomonsen, 2020) so it is increasingly necessary to analyze and quantify the performance of public institutions in terms of training, management and use of financial resources in this sector. Also, the level of performance in achieving the own revenues of local public administrations can be associated with the trust of citizens towards institutions that manage public funds, such as a level of trust that is closely linked to the reputation of these institutions and which is of growing interest. public bureaucracies (Overman, Basil & Wood, 2019).

The objective of this paper is to highlight how the level of performance in achieving the revenues of local public administrations can lead to full financing of these administrations from these sources, which can be translated into financial autonomy from central governments given that the concept of decentralization seems to be more and more current and represents a trend towards which it tends more and more in the conditions in which the regionalization of our country seems to be imminent.

The paper is organized as follows: after reviewing the literature and reviewing the legislative history, the methodology used to synthesize financial data on revenues provided by the entities analyzed and the realization of these revenues, reported at the end of the year budget and published on its own web pages and also the comparison of the information obtained with the audit opinion expressed by the external public auditors of the

Court of Accounts of Romania in the audit reports prepared following the audit missions performed at the territorial administrative units analyzed.

The fourth section presents and comments on the results obtained. The main conclusions of the study are highlighted in the final section as well as a brief discussion on its implications for future research as well as the limitations of this study.

## 1. Literature review and regulatory framework

### 1.1. Literature review

The more citizens trust public institutions, the more likely they are to pay their taxes and comply with various regulations that require them to declare income or property. Public sector entities are entities that implement public policy through the provision of mainly non-market services and the redistribution of income and wealth, with both activities supported mainly by mandatory taxes on other sectors. The public sector is made up of governments and all publicly controlled or publicly funded agencies and enterprises and other entities that provide public programs, goods or services (Jovanović, T. 2015)

Citizens' tax compliance behavior is driven by their level of government confidence, which is triggered by how they perceive government performance in tax collection and wealth distribution (Bătrâncea & Nichita, 2015). Taxation is the essential element for any government or governor concerned with ensuring a certain level of well-being for the governed population (Akay et al., 2012; Coelho, 2013; Corral, 2009; Dalziel & Saunders, 2014; Oishi, Schimmack & Diener, 2012). The dynamic developments of the European Union reveal the need for a reformed and harmonized financing and a fiscal policy capable of ensuring performance management, while concepts such as performance, transparency, accountability and efficiency have become common in the language of public institutions (Nistor et al., 2016). Performance measurement and reporting were born as a necessary response to the public pressure for accountability, public entities being continuously encouraged to disclose information and be responsible for their actions (Nistor & Ștefănescu, 2021)

The slippery slope of fiscal compliance emphasizes the importance of trusting the authorities as a substantial

determinant of tax compliance alongside the traditional application of instruments such as audits and fines (Batrancea et al., 2019). Severe tax problems, insufficient comparability of financial information and growing demands for better accountability require national governments and international organizations to change their current accounting regimes and move towards a system of standardized accounting practices (Frintrup et al., 2020). Auditing public sector financial statements is becoming increasingly important in a context where financial information systems have been aligned with an increased level of accountability and transparency (Brusca & Martinez, 2018).

External public audit is of increasing importance given that the public administration is managed by all those who, for one reason or another, represent it and who, in some cases, can link private and public interests, making the system vulnerable to potential conflicts, with damage to the main purpose of public administration, i.e., maximizing the common good (Comite, 2020). Research indicates that local audit institutions can detect misconduct and breaches of financial and public spending reports and make appropriate decisions to address these issues (Liu & Lin, 2012), with auditors playing a central role in the fight against corruption and error detection. or fraud with a significant impact on financial statements or other management reports (Bunget & Dumitrescu, 2009). Also, the role of external audit in detecting errors and fraud is important, because fraud is related to money laundering and corruption (Ionescu, 2017).

Lawson (2015) explained that public financial management is a set of laws, rules, systems and processes for allocating and distributing public revenues and funds, suggesting that public financial management is related to the general budgeting process, starting from training and resources, budgeting, continuing with budget execution, accounting, financial reporting and, implicitly, external audit (Sugeng & Triwibowo 2019). Public sector accounting can be described as a system that collects, records, classifies and summarizes public sector transactions in accordance with the requirements of financial accountability and transparency, providing information to interested users related to public institutions (Kara, 2012).

The determining factor of the local public administration reform process is the reform of the local public finance field from the perspective of creating an autonomous local public administration and which will have the necessary resources to provide quality public services (Vacarenco & Putină, 2018).

## 1.2. Regulatory framework for the administration and use of revenues at the level of local public administrations

In Romania, the formation, administration and use of own revenues at the level of local public administrations was regulated by several normative acts, in **Table no. 1** being presented the chronology of the most relevant of them.

**Table no.1. Chronology of the normative acts that regulated the way of formation, administration and use of own revenues at the level of local public administrations**

Act/ Art.	In effect	Summary	Remarks Modifications
Law no. 215/2001 on public and local administration (* republished *) (L215/2001)			
Art. 27	February 20, 2007	<i>"In order to ensure local autonomy, local public administration authorities have the right to establish and collect local taxes and fees, to develop and approve local budgets of communes, cities, municipalities and counties, in accordance with the law."</i>	Republished pursuant to art. III of Law no. 286 of June 29, 2006 for the amendment and completion of the Law on local public administration no. 215/2001. In force until July 4, 2019 Repealed by art. 597 of GEO 57/2019 on July 5, 2019
Law no. 273/2006 on local public finances (L273/2006)			
Art.1	June 29, 2006	<i>Alin (1) "This law establishes the principles, general framework and procedures for the formation, administration, employment and use of local public funds, as well as the responsibilities of local public administration authorities and public institutions involved in local public finance."</i>	Regulation of the general framework on public funds and the responsibilities of the local public administration in relation to these funds

Act/ Art.	In effect	Summary	Remarks Modifications
Art.5	June 29, 2006	Alin (1) "Local budget revenues consist of: lit a) own revenues, consisting of: taxes, fees, contributions, other payments, other revenues and quotas deducted from revenues tax;"	Composition of local budgets and how to set up own revenues
		Alin (2) "The substantiation of the own revenues of the local budgets is based on the finding, evaluation and inventory of the taxable matter and of the tax base according to which the related taxes and fees are calculated, the evaluation of the rendered services and the revenues obtained from them, for the purpose of correct assessment of revenue "..."	How to substantiate the own revenues
Government Emergency Ordinance no. 54/2006 regarding the regime of public property concession contracts ( <b>OUG 54/2006</b> )			
Art. 3	June 30, 2006	ART. 3 "The object of the concession contract is the goods that are public property of the state or of the administrative-territorial units, according to the Constitution and the legal regulations regarding the public property."	Effective until July 4, 2019 Repealed by art. 597 of GEO.57 / 2019 on July 5, 2019
Art. 4	June 30, 2006	Alin (1) "The royalty obtained by concession is made revenue to the state budget or to the local budgets, as the case may be."	Effective until July 4, 2019 Repealed by art. 597 of GEO.57 / 2019 on July 5, 2019
Law no. 227 / 08.09.2015 regarding the Fiscal Code ( <b>L 227/2015</b> )			
Art. 454	Sept 8, 2015	"Local taxes and fees are as follows: a) the building tax and the building tax; b) land tax and land tax; c) the tax on means of transport; d) the fee for issuing certificates, approvals and authorizations; e) the fee for the use of advertising and publicity means; f) the performance tax; g) special taxes; h) other local taxes. "	Effective January 1, 2016
Government Emergency Ordinance no. 57/2019 regarding the Administrative Code ( <b>OUG 57/2019</b> )			
Art. 99	July 3, 2019	Alin (1) "The city is the basic administrative-territorial unit declared as such by law, based on the fulfillment of the criteria provided by the legislation on the arrangement of the national territory."	Information on the definition of the city
Art. 129		Alin. (1) "The local council has initiative and decides, in accordance with the law, on all issues of local interest" ..... Alin. (2) The local council exercises the following categories of attributions: ..... "lit. b) attributions regarding the economic-social and environmental development of the commune, city or municipality; Lit. c) attributions regarding the administration of the public and private domain of the commune, city or municipality;" Alin. (4) "In the exercise of the attributions provided in par. (2) lit. b), the local council: "a) approves, at the proposal of the mayor, the budget of the administrative-territorial unit, the transfers of credits, the way of using the budgetary reserve and the closing account of the budgetary exercise;" ..... "c) establishes and approves local taxes and fees, in accordance with the law;" .....	Duties of the local council

Act/ Art.	In effect	Summary	Remarks Modifications
		"e) approves the strategies regarding the economic, social and environmental development of the administrative-territorial unit; f) ensures a favorable environment for the establishment and / or development of businesses, including by capitalizing on the existing patrimony, as well as by making new investments that will contribute to the fulfillment of regional and local economic development programs;"	
Art. 307	July 3, 2019	Alin. (1) "The royalty obtained by concession is constituted as revenue to the state budget or to the local budgets, as the case may be".	Royalty information
Art. 333	July 3, 2019	Alin. (1) "The lease of the public property of the state or of the administrative-territorial units is approved, as the case may be, by decision of the Government, of the county council, of the General Council of the Municipality of Bucharest or of the local council."	Information on renting public property

Source: Own projection

From **Table no. 1** it results that the collection of local taxes and fees has a well-defined purpose, regulated by art. 27 of L 215/2001, namely, ensuring local autonomy, and by art. 1 par. (1) of Law 273/2006 established the general framework, rules and principles regarding the formation, administration, employment and use of public funds as well as the responsibilities of local public authorities regarding these funds. Also, through the provisions of art. 5 par. (1) of the same normative act regulates the composition of budgetary revenues, respectively of own revenues which are composed of "taxes, fees, contributions, other payments, other revenues and quotas deducted from the income tax;" and par. (2) of the same article regulates the substantiation of own revenues at the level of local public administrations based on the finding, inventory and evaluation of taxable matter.

In 2006, by GEO 54/2006, the legislator established that the public property goods are the object of concession contracts, and the royalty collected on the basis of these contracts is made revenue to the state or local budget depending on the owner of the property under concession.

The administrative code approved by GEO 57/2019 defines the city at art. 99 as "the basic administrative-territorial unit declared as such by law". Also, the regulations regarding the attributions of the local council, initially established by Law 215/2001 in force until the entry into force of the Administrative Code adopted by GEO no. 97/2019 are provided in art. 129 thereof, among the most important being those on "economic and social development and environment", public and private administration, budget approval, establishing and

approving local taxes and fees, ensuring a favorable environment business development and, including, new investments to ensure the contribution to the implementation of regional and local economic development programs.

Also, by GEO 57/2019 was repealed GEO 54/2006, the regulations of this ordinance regarding the concessions of goods from the public and private patrimony of the territorial administrative units being also taken over by the Administrative Code, which also regulates the rental of public property with approval of the local council at the request of the local public administrations.

Regarding the audit exercised by the Court of Accounts of Romania on public financial resources, it is regulated by Law 94/1992 (\* republished \*) on the organization and functioning of the Court of Accounts, which at art. 1 paragraph (1) stipulates that the Court of Accounts exercises control "over the manner of formation, administration and use of the financial resources of the state and of the public sector". Also, at art. 26 lit. d it is specified that "the Court of Accounts performs the financial audit on the annual accounts of execution of the local budgets, of the Bucharest municipality, of the counties, of the sectors of the Bucharest municipality, of the municipalities, of the cities and communes".

## 2. Research methodology

The research methodology is qualitative and consists in synthesizing the financial data regarding the revenues provided by the analyzed entities and realizing these revenues, data reported at the end of the budget year and

published on their own web pages and also comparing the information obtained with the audit opinion expressed by the auditors. external auditors of the Romanian Court of Accounts in the audit reports prepared as a result of the audit missions performed at the analyzed territorial administrative units.

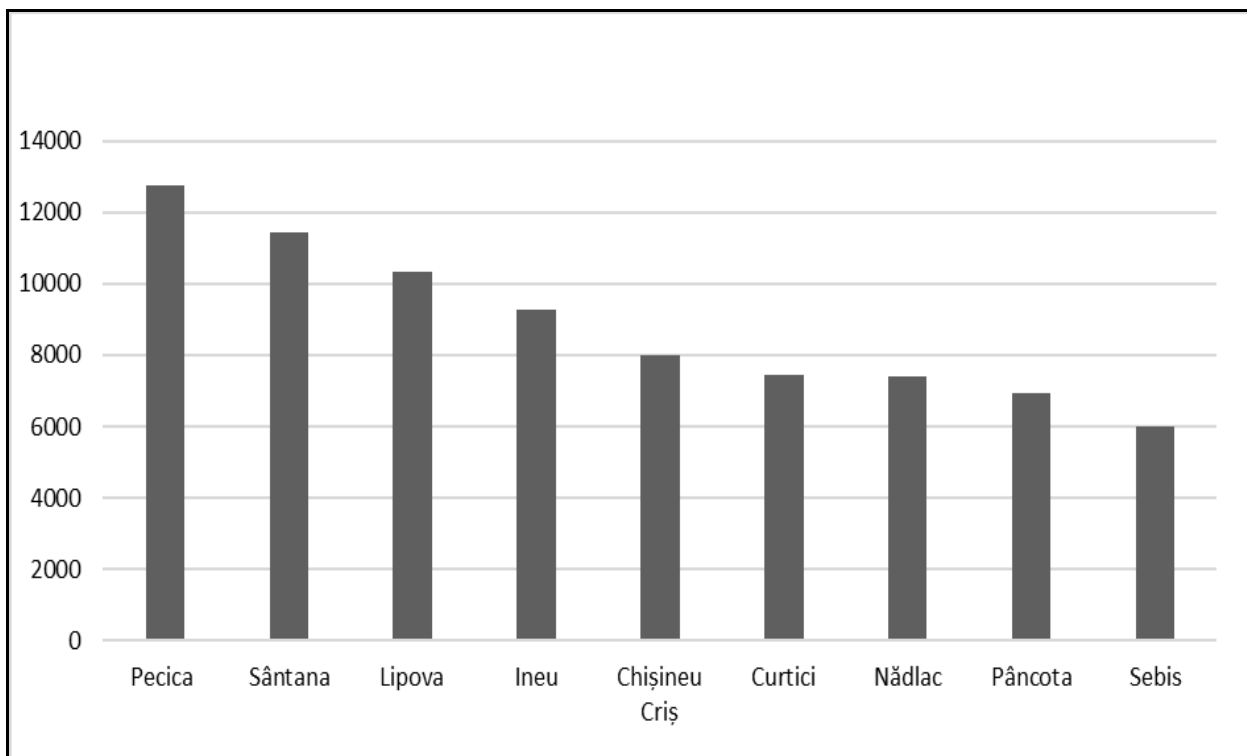
The study aimed at analyzing the performance of administrative territorial units (ATUs) in achieving revenues and the role of financial audit in verifying their administration.

The selection process was based on four criteria; ATU must: i) be classified as cities, ii) be part of the Western region as a geographical position, iii) not be municipalities, iv) be in Arad County. A first step consisted in the scientific documentation meant to deepen the already

existing information in the field of study of performance audit in the realization of revenues at the level of territorial administrative units and addressed the impact of revenue collection on their financial independence. Thus, out of the total of 319 existing cities in our country, following the filter applied according to the second selection criterion, 45 cities located in the 4 counties of the Western region were identified.

After the application of the third criterion, 5 cities that are municipalities in the counties that are part of the Western Region were eliminated, leaving in the sample a number of 40 cities that are not municipalities. Following the application of the fourth criterion, the 9 cities of Arad County remained in the sample, cities presented graphically in *Figure no. 1*, according to the number of inhabitants.

**Figure no. 1. Cities in Arad County that are not municipalities, classified by number of inhabitants**



Source: Own projection, based on the population census in 2011

The level of established entitlements of revenues made in terms of own revenues and payments made for each city in the selected

sample, in the period 2018-2020, ordered in descending order, by number of inhabitants is highlighted in *Table no. 2*.

**Table no. 2. The established rights, the own revenues collected and the payments made by the cities of Arad County during 2018-2020 (in lei)**

The city	The year	Rights found	Receipts made	Payments made
PECICA	2018	27,562,238	19,772,131	22,813,384
	2019	29,480,904	19,609,869	27,429,199
	2020	34,264,632	22,565,339	30,569,148
SÂNTANA	2018	20,949,933	17,096,708	18,152,196
	2019	23,594,893	21,220,162	22,248,218
	2020	28,607,683	24,397,168	32,029,524
LIPOVA	2018	14,992,420	12,292,351	20,900,759
	2019	16,208,430	13,992,701	21,717,234
	2020	22,902,060	14,373,715	33,112,130
INEU	2018	21,362,546	17,046,059	22,590,070
	2019	29,079,297	25,655,380	34,769,563
	2020	28,066,941	23,118,492	30,432,350
NĂDLAC	2018	19,808,822	14,461,519	12,647,050
	2019	19,287,772	13,784,170	17,813,410
	2020	20,108,348	13,981,668	19,047,011
CHIȘINEU CRIȘ	2018	22,300,925	21,056,766	20,259,245
	2019	18,726,345	17,556,800	20,372,325
	2020	21,840,011	20,218,443	24,371,643
CURTICI	2018	20,731,008	16,972,361	20,207,261
	2019	19,878,972	15,465,828	25,087,564
	2020	19,468,542	12,266,228	30,708,600
PÂNCOTA	2018	12,296,259	9,948,679	10,658,572
	2019	13,337,774	10,565,789	13,425,952
	2020	16,479,673	14,902,369	14,025,448
SEBIȘ	2018	19,388,450	12,701,354	15,788,615
	2019	23,176,579	16,192,466	16,948,311
	2020	18,714,500	14,902,369	16,287,394

Source: Own projection, using the websites of the town halls of the 9 cities

### 3. Results and discussion

Following the analysis of the degree of own revenues achievement compared to the rights found to be collected during a budget year, own revenues collected from the local budgets of cities following the collection of local taxes and fees from the population and/ or legal entities, as well as of the payments of incomes due from economic agents and public institutions of local importance, it is possible to observe the fluctuating level of the degree of realization of own revenues for each budget year and in the entire analyzed interval, respectively 2018-2020.

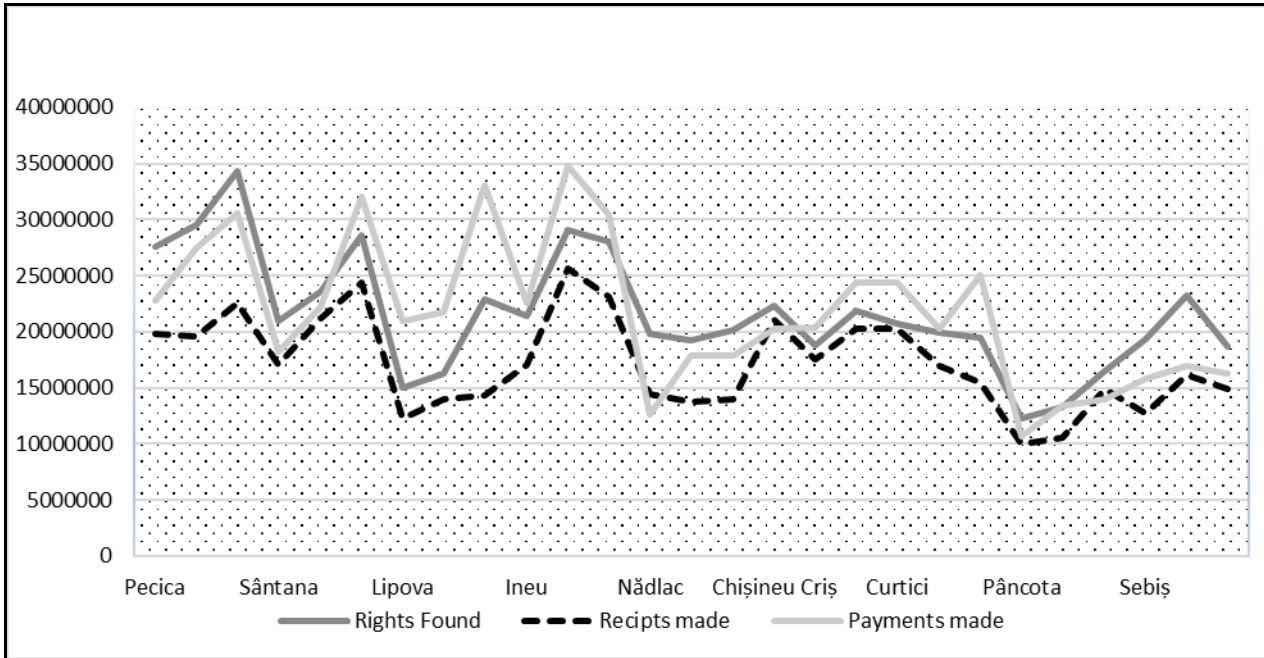
Thus, during the entire analysis period of the performance of own revenues at the level of the 9 cities in the selected sample, there were oscillations, in 2018 the lowest level of own revenues collected was 9,948,679 lei, and the highest level of collection of own revenues was 21,056,766 lei, also

the fluctuating level of collection of own revenues was maintained in 2019 and 2020 when revenues were collected between 10,565,789 lei and 25,655,380 lei in 2019, respectively between 12,266,228 lei and 24,397,168 lei in 2020.

Regarding the payments made at the level of the analyzed local public administrations, we can also observe their fluctuation from one year to another as well as from one city to another. If the lowest level of payments made was 10,658,572 lei in 2018, in 2019 the minimum level of payments made was 13,425,952 lei, and in 2020 it was 14,025,448. Also, this trend was maintained for the maximum level of payments made, which was 22,813,384 lei in 2018, of 34,769 lei in 2019 and of 33,112,130 lei in 2020.

Graphically, the data from Table no. 2 were summarized in *Figure no. 2*.

**Figure no. 2. Evolution of rights charged, own revenues collected and payments made**



Source: Own projection

Furthermore, based on the financial data published on the own web pages of the selected cities, an analysis was performed for each city and for each year of the analyzed period on the degree of realization of own revenues and their dynamics in 2018-2020.

In **Table no. 3** are presented the data regarding the degree of achievement of own revenues as well as the evolution of these revenues at the level of each city in the selected sample.

**Table no. 3. The degree of own revenues achievement and the evolution of these revenues in the period 2018-2020 at the level of the cities of Arad County**

The city	The year	Degree of own revenues achievement	Revenue evolution	
			2019/2018	2020/2019
PECICA	2018	71.73%	107.32%	106.33%
	2019	71.97%		
	2020	65.85%		
SÂNTANA	2018	82.00%	114.69 %	124.41 %
	2019	83.10%		
	2020	85.28%		
LIPOVA	2018	81.99%	113.83 %	102.72 %
	2019	86.32%		
	2020	62.76%		
INEU	2018	79.79%	150.50 %	90.11 %
	2019	88.25%		
	2020	82.36%		



The city	The year	Degree of own revenues achievement	Revenue evolution	
			2019/2018	2020/2019
NĂDLAC	2018	73.00%	95.31 %	101.43 %
	2019	71.46%		
	2020	69.53%		
CHIȘINEU CRIȘ	2018	94.42%	83.37 %	115.16 %
	2019	93.75%		
	2020	92.57%		
CURTICI	2018	81.86%	91.12 %	99.15 %
	2019	77.79%		
	2020	78.77%		
PÂNCOTA	2018	80.90%	106.20 %	116.09 %
	2019	79.21%		
	2020	74.43%		
SEBIȘ	2018	65.50%	127.48 %	92.03 %
	2019	69.86%		
	2020	79.63%		

Source: Own projection, using the web pages of the town halls of the 9 cities

From the analysis of the data presented in table no. 3 results the fact that the own revenues collected in the period analyzed by the city of Pecica reach the maximum level in 2019, respectively 71.97%, and the minimum level of revenues stood at 65.85% in 2020. In dynamics, the situation of own revenues does not present important fluctuations, respectively the trend is to increase revenues by 7.32% in 2019 compared to 2018 and by 6.33% in 2020 compared to 2019.

Analyzing the situation of the city of Sântana we can see that the highest degree of realization of own revenues was in 2020, receiving a percentage of 85.28% of the total rights found to be collected, the lowest level of this indicator being recorded in year 2018, being 82%. The dynamics of collecting these revenues showed an upward trend, increasing by 14.69% in 2019 compared to 2018 and by 24.41% in 2020 compared to 2019.

If in 2019 the city of Lipova had revenues of 86.32% of the total rights found, a percentage that represents the highest degree of collection of own revenues for the analyzed period, in 2020 was recorded the lowest degree of collection, respectively of 62.76%. This aspect can be observed in the dynamics of the evolution of the volume of own revenues collected, which, although increased by 13.83% in 2018 compared to 2019, the increase recorded in 2020 compared to 2019 was only 2.72%.

Regarding the city of Ineu, we can see the lowest degree of realization of own revenues located at 79.79%,

recorded in 2018, and the highest degree of realization of own revenues was recorded in 2019, being 88.25%, then registering a slight decrease, reaching 82.36% in 2020. In dynamics, the evolution of the volume of own revenues collected is oscillating, as although the level of these revenues registered a significant increase of 50.50% in 2019 compared to from 2018, in 2020 these revenues decreased by 9.88% compared to their value in 2018.

For the city of Nădlac, the highest degree of own revenues collected, compared to the established rights was 73% and was reached in 2018. The trend of this indicator was decreasing in 2019 and 2020 when its values were 71.46%, respectively 69.53%. Also, the volume of revenues collected decreased by 4.69% in 2019 compared to 2018, respectively increased by 1.43% in 2020 compared to 2019.

The highest level of collection of own revenues was registered by the city of Chisinau Cris, which generated own revenues of over 90% throughout the analyzed period, respectively 94.42% representing the highest level, in 2018, 93.75% in 2019 and 92.57% in 2020, this representing the lowest value in the analyzed range. However, the volume of revenues collected was fluctuating as their level decreased significantly in 2019 compared to 2018, by 16.63% and increased in 2020 by 15.16% compared to 2019.

The city of Curtici also registered fluctuations in terms of the degree of realization of its own revenues. Thus, the

lowest level was in 2019, of 77.79%, and the highest level of this indicator was 81.86% in 2018. Regarding the volume of own revenues, it had a trend decrease, namely by 8.88% in 2019 compared to 2020 and by 0.85% in 2020 compared to 2019.

The degree of realization of own revenues related to the value of the rights found for the city of Pâncota shows a decreasing trend, respectively from 80.90% in 2018, to 74.43% in 2020, the values representing the minimum and maximum reached by this indicator in the interval 2018-2020. However, the evolution of the volume of own revenues is an ascending one, registering an increase in the collection of these revenues by 6.2% in 2019 compared to 2018 and by 16.09% in 2020 compared to 2019.

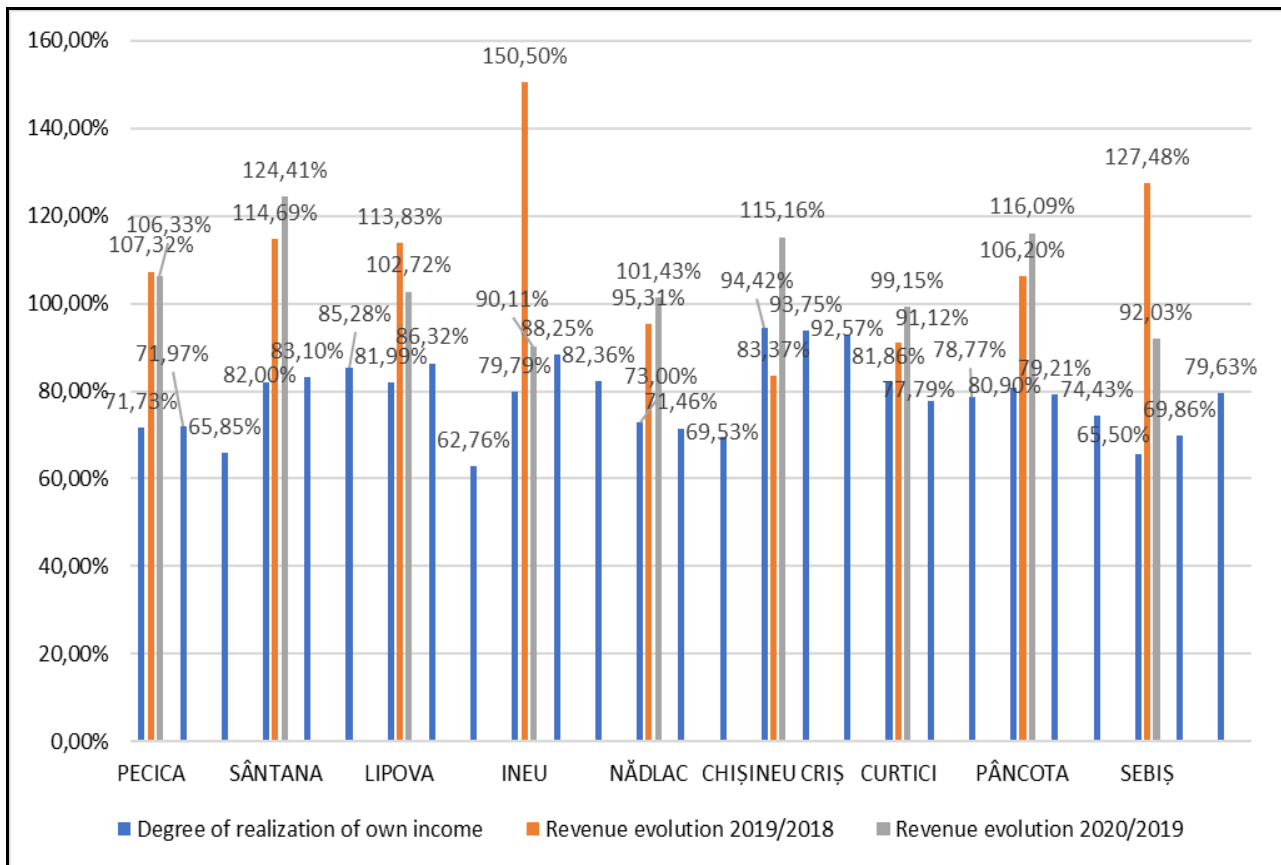
The city of Sebiș registered the lowest degree of realization of its own revenues realized in relation to the

rights found in 2018 when it stood at 65.50%, and the highest degree of realization of these revenues was in 2020, respectively 79.63%. Analyzing the dynamics of own revenues, we can see an increase of 27.48% in 2019 compared to 2018 and a decrease of 7.97% in 2020 compared to 2019.

From the analysis of the above indicators on each city of the selected sample we can see that the trend of increasing or decreasing the degree of revenue in relation to the rights found to be collected during the budget year is not maintained in the dynamics of revenue volume actually collected.

Figure no. 3 presents the degree of realization of own revenues and the dynamics of these revenues in the period 2018-2020 at the level of the cities of Arad County from the analyzed sample.

**Figure no. 3. The degree of own revenues achievement and their revenues dynamics in the period 2018-2020 at the level of the cities of Arad County**



Source. Own projection

Table no. 4 presents the data regarding the total payments made by each city in 2018, 2019 and 2020 as well as the payments for capital expenditures made during this period, also

calculating the share of capital payments in the total payments made by reporting the actual value of total payments made to the payments for capital expenditure out of the total payments made.

Table no. 4. Payments made, payments for capital expenditure and their share in total payments made				
The city	The year	Payments made	Payments for capital expenditures	Share of payments for capital expenditures in total payments
PECICA	2018	22,813,384	4,677,342	20.50 %
	2019	27,429,199	6,829,136	24.89 %
	2020	30,569,148	4,810,031	15.73 %
SÂNTANA	2018	18,152,196	3,076,935	16.95 %
	2019	22,248,218	4,244,245	19.07 %
	2020	32,029,524	9,804,749	30.61 %
LIPOVA	2018	20,900,759	0	0
	2019	21,717,234	773,648	3.56 %
	2020	33,112,130	185,630	0.57 %
INEU	2018	22,590,070	0	0.00 %
	2019	34,769,563	7,241,060	20.82 %
	2020	30,432,350	3,953,455	12.99 %
NĂDLAC	2018	12,647,050	2,588,846	20.46 %
	2019	17,813,410	2,303,914	12.93 %
	2020	19,047,011	5,912,289	31.04 %
CHIȘINEU CRIȘ	2018	20,259,245	8,378,571	41.35 %
	2019	20,372,325	6,638,017	32.58 %
	2020	24,371,643	7,622,825	31.27 %
CURTICI	2018	20,207,261	7,326,753	36.25 %
	2019	25,087,564	10,677,303	42.56 %
	2020	14,025,448	9,117,073	65.00 %
PÂNCOTA	2018	10,658,572	2,480,627	23.27 %
	2019	13,425,952	810,305	6.03 %
	2020	16,287,394	3,837,776	23.56 %
SEBIȘ	2018	15,788,615	2,697,303	17.08 %
	2019	16,948,311	1,736,452	10.24 %
	2020	16,287,394	0	0

Source: Own projection, using the websites of the town halls of the 9 cities

Analyzing the financial data presented in Table no. 4 we can observe that the city of Pecica registered the highest level of payments made in 2020, of 30,569,148 lei, while the lowest level was registered in 2018 of 22,813,384 lei. Regarding the payments for capital expenditures, they had a share between 15.73% in 2020 and 24.89% in 2019 of the total payments made, in absolute value the highest value of payments for capital expenditures was recorded. in 2019 when it was 6,829,136 lei, and the lowest value was registered in 2018 of 4,677,342 lei.

The city of Sântana had an increasing trend in terms of the three indicators analyzed so that the total payments increased every year, starting from a minimum of 18,152,196 lei in 2018 and reaching in 2020 a maximum of the period of 32,029,524 lei. The same growth trend had the payments made for capital expenditures which increased significantly from 3,076,935 lei in 2018 to 9,804,749 in 2020, aspects also reflected in the share of capital payments in the total payments made, respectively from the value of 16.95% registered in 2018 reaching the value of 30.61% in 2020.

The trend of payments made, payments for capital expenditures made and their share in the total payments made could be analyzed only for the period 2019-2020, for 2018 no information is available on the website of Lipova City Hall. Thus, the total payments increased from 20,900,759 lei in 2018 to 33,112,130 lei in 2020. Payments for capital expenditures registered a rather low level and a decreasing trend, from 773,648 lei in 2019 to 185,630 lei in 2020. This downward trend was also recorded in terms of the share of payments for capital expenditures in total payments made, respectively it was 3.56% in 2019, reaching a minimum of 0.57% in 2020.

A special situation presents the city of Ineu which, although it registered a high level of payments made, from a minimum of the period of 22,590,070 lei registered in 2018 to a maximum registered in 2019 of 34,769,563 lei, in 2018 according to the data published on its website no payments were made for capital expenditures. However, in 2019 the capital payments were 7,241,060 lei representing 20.82% of the total payments made, and in 2020 they were 3,953,455 lei, respectively 12.99% of the total payments made.

The city of Nădlac registered a level with a tendency to increase the payments made in the analyzed interval, from 12,647,050 lei in 2018 to 19,047,011 lei in 2020. The share of capital expenditures was 20.46% at an absolute value of these payments of 2,588,846 lei in 2018, of 12.93% and an absolute value of payments for capital expenditures of 2,303,914 lei in 2019, respectively of 31.04% and an absolute value of 5,912,289 lei in 2020.

The payments made for each year of the period analyzed by the city of Chisinau Cris were on an increasing trend, from a minimum of 20,259,245 lei in 2018 to a maximum reached in 2020 of 24,371,643 lei. Regarding the payments for capital expenditures, they had a fluctuating level, the minimum being of 6,638,017 lei, registered in 2019, while the maximum of the period was registered in 2018 being of 8,378,571 lei. In 2020 the share of these payments registered the lowest value, respectively of 31.27% of the total payments made, while in 2018 the highest share of payments for capital expenditures in the total payments was registered, namely 41.35%.

For the city of Curtici, the highest share of payments for capital expenditures was in 2020 with a value of 65.00%, and the lowest value of this indicator was in

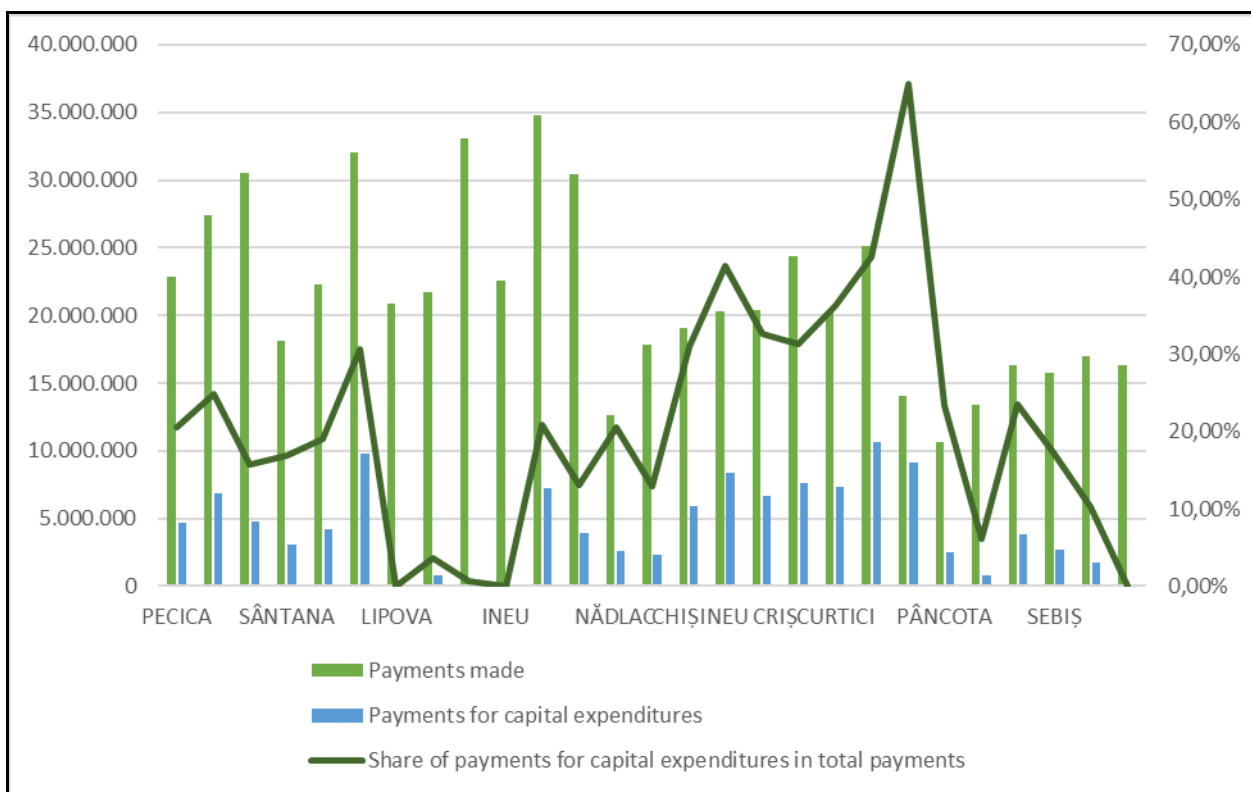
2018 - 36.25%. Regarding the total payments made, they were of 14,025,448 lei in 2020, representing a minimum level registered, the maximum level being of 25,087,564 lei in 2019. The payments made for capital expenditures registered a maximum value of 10,677,303 lei in 2019 and a minimum in 2019 of 7,326,753 lei.

Although at the level of payments made the city of Pâncota registers an increasing trend for the three years analyzed, from the value of 10,658,572 lei in 2018 to the value of 16,287,394 lei in 2020, this trend is not maintained for payments made for expenses of capital whose minimum value was 810,305 lei in 2019, and their maximum value was 3,837,776 lei in 2020. Also, in 2019 there was the lowest value of the share of payments for capital expenditures in total payments made, respectively 6.03%. The largest share in the total payments made had the payments for capital expenditures in 2020, its value being 23.56%.

In the case of Sebiș, the full analysis could only be performed for two years, respectively 2018 and 2019, as no information was available on the website of the city hall on the payments for capital expenditures made in 2020. The value of all payments made by was between 15,788,615 lei in 2018 and 16,948,311 lei in 2019. The largest share was capital expenditures in the total payments made in 2018, of 17.08% at a level of payments for capital expenditures of 2,697,303 lei. In 2019, the payments for capital expenditures were 1,736,452 lei, this value representing a share of 10.24% in the total payments made.

Analyzing the data presented in **Table no. 4** we can observe the fluctuating trend of payments made for each year analyzed and for each city, as well as the relatively small share of payments made for capital expenditures in total payments during a budget year, the maximum level for the entire period analyzed and for all cities from the analyzed sample being 65.00%, while the minimum does not reach the threshold of 1% being 0.57%.

The data from Table no. 4 regarding the payments made, the payments for capital expenditures and their share in the total of the payments made were summarized graphically in **Figure no. 4**.

**Figure no. 4. Share of payments for capital expenditure in total payments made**

Source: Own projection

**Table no. 5** contains information regarding the degree of realization of own revenues, their share in the total payments made as well as the audit opinion expressed following the last financial audit mission performed by the Romanian Court of Accounts through the Arad Chamber of Accounts.

The share of own revenues in the total payments made from Table no. 5 was calculated as the ratio between the value of own revenues reported by entities in the local budget execution account and the value of payments made.

**Table no. 5. Revenues, payments and audit opinion in the period 2018-2020 at the level of the cities of Arad County**

The city	The year	Degree of own revenues achievement	Share of own revenues in total payments made	Share of capital payments in total payments	Audit opinion
PECICA	2018	71.73 %	86.00 %	20.50 %	Adverse - audited period 2017-2019
	2019	71.97 %	77.36 %	24.89 %	
	2020	65.85 %	73.81 %	15.73 %	
SÂNTANA	2018	82.00 %	94.18 %	16.95 %	Adverse - audited period 2016-2018
	2019	83.10 %	95.37 %	19.07 %	
	2020	85.28 %	76.17 %	30.61 %	
LIPOVA	2018	81.99 %	58.81 %	0	Adverse - audited period 2015-2017
	2019	86.32 %	64.43 %	3.56 %	
	2020	62.76 %	43.40 %	0.57 %	

The city	The year	Degree of own revenues achievement	Share of own revenues in total payments made	Share of capital payments in total payments	Audit opinion
INEU	2018	79.79 %	75.45 %	0.00 %	Adverse - audited period 2015-2017
	2019	88.25 %	73.78 %	20.82 %	
	2020	82.36 %	75.96 %	12.99 %	
NĂDLAC	2018	73.00 %	114.34 %	20.46 %	Adverse - audited period 2017-2019
	2019	71.46 %	77.38 %	12.93 %	
	2020	69.53 %	73.40 %	31.04 %	
CHIȘINEU CRIȘ	2018	94.92 %	103.93 %	41.35 %	Qualified, with a paragraph highlighting certain aspects - audited period 2016-2018
	2019	93.75 %	86.17 %	32.58 %	
	2020	92.57 %	82.95 %	31.27 %	
CURTICI	2018	81.86%	83.99 %	36.25 %	Qualified, with a paragraph highlighting certain aspects - audited period 2015-2017
	2019	77.79%	61.64 %	42.56 %	
	2020	78.77%	49.93 %	65.00 %	
PÂNCOTA	2018	80.90%	93.33 %	23.27 %	Adverse - audited period 2016-2018
	2019	79.21%	78.69 %	6.03 %	
	2020	74.43%	87.45 %	23.56 %	
SEBIȘ	2018	71.73%	80.44 %	17.08 %	Adverse - audited period 2015-2017
	2019	71.97%	95.54 %	10.24 %	
	2020	65.85%	91.49 %	-	

Source: Own projection, using the websites of the town halls of the 9 cities and the website of the Romanian Court of Accounts

Analyzing the data from **Table no. 5** it can be observed that the own revenues collected in the period analyzed by the City of Pecica have a degree of achievement between 65.85% and 71.97% and do not reach the level of payments made, which means that they cannot cover the financing needs of the city. The share of own revenues in total payments made, calculated as the ratio between own revenues received and payments made is between 73.81% and 86.00%, and the allocation of amounts representing payments for capital expenditures was between 15.73% and 20,50% of the total payments made. The audit opinion expressed following the financial audit mission carried out in 2019 for the period 2016-2018 is adverse, which underlines the fact that at the city level there are certain dysfunctions that need to be corrected.

Following the analysis of the data regarding the City of Sântana, it can be seen that the own revenues collected in the analyzed period, although both in 2018 and in 2019 exceed 90%, still do not reach the level of payments made, which means that they cannot cover totally the financing needs of the city of Sântana. The share of own revenues in total payments made, calculated as a ratio between own revenues received and payments made is between 76.17% and 95.37%, and the share of payments made for capital expenditures has values between 16.95%

and 30,61%. Also, the audit opinion expressed following the financial audit mission carried out in 2019 for the period 2016-2018 is adverse, which underlines the fact that at the city level there are certain dysfunctions that need to be corrected.

According to the data presented for the city of Lipova, it results that the own revenues collected in the analyzed period do not reach the level of payments made, which means that they cannot fully cover the financing needs of the city. The share of own revenues in the total of payments made, calculated as a ratio between own revenues received and payments made is low, ranging between 43.40% and 64.43%. Also, during 2019-2020 the payments for capital expenditures had a small share, respectively 3.56% in 2019 and only 0.57% in 2020. The audit opinion expressed following the financial audit mission performed in 2018 for the period 2015-2017 it is the opposite, which emphasizes the fact that at the city level there are certain dysfunctions that need to be corrected.

Following the analysis of the financial data of Ineu City we can conclude that even in this case the own revenues collected in the analyzed period do not reach the level of payments made, which means that they cannot fully cover the financing needs of Ineu City. The share of own

revenues in the total payments made, calculated as a ratio between the own revenues received and the payments made has a linear level, with small fluctuations, ranging between 75.96% and 75.45%. Regarding the allocations for financing capital expenditures, they have a share between 12.99% and between 20.82% in relation to the total payments made during a budget year. Also, the audit opinion expressed following the financial audit mission carried out in 2018 for the period 2015-2017 is adverse, emphasizing the fact that also at the level of this city were identified some dysfunctions that need to be corrected.

According to the data regarding the city of Nădlac we can see that the own revenues made in 2018 exceed the total payments made, which means that in 2018 the financing needs of the city were covered only from own revenues. However, this trend is not maintained for 2019 and 2020, when the share of own revenues in total payments is between 73.40% and 77.38%. At the same time, the share of payments for capital expenditures is between 12.93% and 31.04%, and the existence of certain dysfunctions is also underlined by the adverse audit opinion expressed following the financial audit mission carried out in 2020 for the period 2017-2019.

Although in 2018 the city of Chisineu Cris could support payments made only from its own revenues, their share in total payments made being 103.93%, this trend could not be maintained throughout the analyzed period, so that in 2019, respectively 2020 the share of these revenues in the total payments made was 86.17%, respectively 82.95%. Also, at the city level have the payments for capital expenditures represented between 41.35% and 31.27% in the total payments made. However, the audit opinion expressed following the financial audit mission in 2019 for the period 2016-2018 was a reserved opinion with a paragraph highlighting certain issues, which highlights that some dysfunctions have been identified in this city.

In the case of Curtici, as it results from the analysis of the data presented in Table no. 5, the own revenues collected during the analyzed period cannot fully ensure the financing of the city during the budget year. The share of own revenues in total payments made, calculated as a ratio between own revenues collected and payments made, fluctuates between 49.93% and 83.99%. Also, the share of payments for capital expenditures calculated as a ratio between the payments made for capital expenditures and the total payments made fluctuated, its values being between 36.25% and 65%. The audit opinion expressed following the financial audit mission carried out in 2018 for

the period 2015-2017 is qualified with a paragraph highlighting certain issues, which highlights the fact that in the city of Curtici were identified certain malfunctions that need to be corrected.

According to the data presented in Table no. 5 regarding the city of Pâncota, results that the own revenues collected during the analyzed period do not reach the level of payments made, which means that they cannot fully cover the financing needs of the city of Pâncota. The share of own revenues in total payments made, calculated as the ratio between own revenues received and payments made fluctuates, from 78.69% to 93.33%, while the values of the share of payments for capital expenditures in total payments made it is between 6.03% and 23.56%. The audit opinion expressed following the financial audit mission carried out in 2019 for the period 2016-2018 is adverse, which underlines the fact that at the city level there are certain dysfunctions that need to be corrected.

Analyzing the financial data presented in table no. 5 we can appreciate that in the city of Sebiş the own revenues collected in the analyzed period do not fully cover the financing needs of the city, and the share of own revenues in the total payments made, calculated as a ratio between own revenues collected and payments made shows a level between 95.54% and 80.44%. The share of payments for capital expenditure calculated as the ratio between payments for capital expenditure made and total payments is not high, ranging from 10.24% to 17.08%. We can also appreciate the existence of certain malfunctions by expressing the opposite audit opinion, an opinion expressed following the financial audit mission carried out in 2018 for the period 2015-2017.

Analyzing the data of this table as a whole, it can see that only in the case of 2 cities, the auditors not expressed adverse opinion, which indicates that the level of deviations was below the threshold of significance set by external public auditors and, at the same time, it can be seen that in the case of these cities – Chişineu Criş and Curtici – the degree of collection of own revenues is over 92% in the case of Chisineu Cris with a share of payments for capital expenditures in the total payments made of over 30%, respectively over 77% in the case of Curtici with a share of payments for expenditures total payments reaching the level of 65% in 2020. It can also be seen that the other cities that obtained an adverse audit opinion show a lower level of payments for capital expenditures in the total payments made.

In **Table no. 6** we will make a synthesis of the results of this study regarding the indicators

analyzed at the level of the 9 cities in the selected sample.

<b>Table no. 6. Strengths and weaknesses identified at the level of each of the 9 cities</b>		
<b>THE CITY</b>	<b>STRENGTHS</b>	<b>WEAKNESSES</b>
<b>PECICA</b>	Upward trend in own revenues; Level between 15-20% of payments for capital expenditures	Relatively low degree of own revenues, Adverse audit opinion
<b>SÂNTANA</b>	Upward trend in own revenues Level between 16-30% of payments for capital expenditures High share of own revenues in total payments made (2018, 2019)	Relatively low degree of own revenues Adverse audit opinion
<b>LIPOVA</b>	Upward trend in own revenues	Very low level of payments for capital expenditure Low share of own revenues in total payments made Adverse audit opinion
<b>INEU</b>	Upward trend in own revenues Significant increase, by 50%, of the revenues collected in 2019 compared to the previous year	10% decrease in revenues achieved in 2020 compared to the previous year Failure to make payments for capital expenditures in 2018 Adverse audit opinion
<b>NĂDLAC</b>	Possibility of full financing from own revenues in 2018 Share of payments for capital expenditures over 20% in the last two years	Relatively low degree of realization of own revenues Adverse audit opinion
<b>CHIŞINEU CRIŞ</b>	The highest degree of realization of own revenues between 92-94% Payments for capital expenditure over 30% Possibility of self-financing from own revenues in 2018 when the share of own revenues in total payments was 103%	Qualified audit opinion Significant decrease in revenues collected in 2019 compared to the previous year
<b>CURTICI</b>	The highest level of payments for capital expenditures - 65% in 2020	Qualified audit opinion The decrease of the revenues collected in 2019 compared to 2018 and in 2020 compared to 2019
<b>PÂNCOTA</b>	Relatively high level of payments for capital expenditure in total payments, over 20% in two of the three years analyzed	Adverse audit opinion
<b>SEBIŞ</b>	Relatively high level of own revenues in total payments in the first two years of the analyzed period	Adverse audit opinion

Source: Own projection

Analyzing the strengths and weaknesses of the analyzed cities, we can see that only two cities had the ability to self-finance their own revenues and only in 2018, the degree of realization of their own revenues often did not exceed 90%, and overall, the share of payments for capital expenditures can be said to be

quite low. We can also note that the audit opinion expressed following the last audit mission performed by the Court of Accounts was not unqualified in any of the cases, highlighting the existence of irregularities above the significance threshold set by external public auditors.



## Conclusions

A first conclusion that we can draw from this study according to the financial data published by the 9 cities is that the collection of local public revenues, respectively taxes and fees as an important part of the cities' own revenues must be sized to ensure better collection. theirs.

We consider that this deficiency may be due to the fact that it is not always in the construction of the budget is achieved by the real quantification of the level of own revenues that can be collected.

We can also conclude that economic development, which directly influences the increase / decrease of own revenues, directly influences the degree of realization of own revenues. Thus, we consider that the deliberative bodies at the city level - local councils - can act by adopting fiscal measures, exemptions, tax cuts and local taxes for investors, which would contribute on the one hand to the increase of own revenues collected as well as to the economic development of the city, which would ensure a good collection of local taxes and fees from the citizens as well as to increase the quality of living and working conditions for the inhabitants of the cities.

The purpose of the ATU performance audit is to assess how the proposed revenues have been achieved and how they are managed. The study on the performance of own revenues in the 9 selected cities revealed that an increase in own revenues and their collection would ensure the development of decentralization and local autonomy, thus creating the possibility that local public finances are not in close dependence on the state budget.

The limitations of the research are the small number of cities included in the sample, as well as the fact that the data were collected manually, with the risk that some information may not have been taken into account. Also, due to the expression of the audit opinion following the audits performed by the Court of Accounts of Romania, in and for different periods of time, as a result of the inclusion of cities in the Annual Activity Program usually at an interval of 3 years, the time gap is a research limit. In future research, the analyzed sample will be extended, by including the other cities of the Western Region. The study will also include other indicators that lead to the creation of an econometric model on the factors that can influence the performance of cities' own revenues.

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