

COMPARATIVE APPROACH: PERFORMANCE AUDIT – COMPLIANCE AUDIT – FINANCIAL AUDIT

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Abstract:

The audit is not an end in itself, but an indispensable part of a regulatory system, the purpose of which is to identify in a timely manner deviations from accepted standards and cases of breaches of the principles of legality, efficiency, effectiveness and economy in financial management.

At the level of the public sector, the Court of Accounts operates independently in accordance with legal provisions and international auditing standards, performing the following types of audits: financial audit, compliance audit, performance audit.

This paper aims to highlight the particularities of each of these types of audits, as well as their specific activities.

Keywords: *performance audit, financial audit, compliance audit, public funds*

JEL Classification: *H0, H8*

The audit is based on a tripartite relationship, in which an auditor aims to obtain sufficient appropriate audit evidence, in order to express a conclusion designed to increase the confidence of users of information in control reports, other than the responsible party (controlled entity), regarding the result of the evaluation of specific objectives based on audit criteria.

The Court of Accounts is the state body in Romania that has the role of controlling the use of financial resources of the state and the public sector. In this sense, one of the main objectives of the Court of Accounts is to monitor compliance with legal regulations of an economic, financial, fiscal and accounting nature, in order to identify any errors or irregularities in the preparation of financial statements, in the correct and efficient management and use of public funds. , as well as the application of measures to remove them.

The audit standards of the Court of Accounts have the following structure: General audit standards; Standards specific to financial audit; Performance auditing specific standards; Standards specific to compliance audit.

The general objective of the financial audit carried out by the Court of Accounts at public institutions is to obtain a reasonable assurance on: the way of managing the public and private patrimony of the state and of the territorial administrative units, as well as the execution of revenue and expenditure budgets. by the audited entity, if they are consistent with the purpose, objectives and responsibilities set out in the regulatory acts by which the audited entity was established and comply with the principles of legality, regularity, economy, efficiency and effectiveness; the audited financial statements, if prepared by the entity in accordance with the financial reporting framework applicable in Romania, comply with the principles of legality and regularity and provide a true and fair view of the financial position, financial performance and other information related to the activity of that entity. , providing an opinion in this regard.

The attributions of the Court of Accounts regarding the performance of the performance audit are provided in art. 21 para. (2) and art. 28 of Law no. 94/1992, republished. According to these provisions, the Court of Accounts: performs the audit of the performance of the use of the financial resources of the state and of the public sector; performs an independent assessment of the economy, efficiency and effectiveness with which a public entity, program, project, process or activity uses the allocated public resources to achieve the set objectives.

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INTOSAI's audit standards specify that the performance audit is an audit of sound financial management, following:

a) evaluation of the savings achieved in the management of funds allocated for the implementation of an audited / audited program / project / process / activities, respectively establishing the extent to which management principles and practices ensure minimizing the cost of allocated resources, without compromising the realization in good conditions objectives;

b) the efficiency of the use of human, material, financial resources, including the examination of information systems on performance indicators, the internal control system and procedures followed by the audited entities, respectively the maximization of the results of a program / project / process / activities in relation to the resources used; establishing the ratio between the results obtained and the cost of resources used to obtain them;

c) the effectiveness of the use of public funds, respectively the establishment of the degree of fulfillment of the declared objectives of a program / project / process / activities, as well as the comparison of the actual impact achieved with the desired impact.

The compliance audit (control) consists in verifying whether the activities of public entities are in accordance with the legislation, regulations and decisions of the authorities governing the activity of such entities.

This involves verifying how the audited entity complies with the laws, other normative acts, rules, regulations, political norms, established codes or agreed terms, etc.

The main differences between the three categories can be summarized as follows (table no. 1):

Table no 1: The main differences between the three categories

ASPECTS	Performance audit	Financial audit and compliance audit
Objective	Assess whether EU funds have been used economically, efficiently and effectively.	Evaluates the legality and regularity of financial transactions, as well as the reliability of accounts.
Scope	Policy, program, organization, activities and management systems	Financial operations, accounting procedures and key controls.
Academic base	Economics, political science, sociology, etc	Accounting and law.
Methods	Varies from one audit to another.	Standardized framework.
Audit criteria	Greater freedom for auditors in selecting criteria. Unique criteria for each audit.	Less freedom for auditors in selecting criteria. Standard criteria established by legislation and regulations, applicable to all audits.
Reports	Special reports published ad hoc. The structure and content vary depending on the objectives. The annual report presents, in a separate chapter, a macro-perspective on the performance of the EU budget.	Annual report. More or less standardized.

A performance audit may also include issues related to financial audit and compliance audit, as well as environmental considerations in the context of sustainable development should be carefully considered.

An audit that combines all these aspects is called an "integrated audit". The decision to perform a performance audit or an integrated audit depends on professional judgment, and should be made on a case-by-case basis. Auditors need to be aware that performing a performance-only audit is already a difficult task and that performing an integrated audit would be an even more demanding task. The conduct of an integrated audit should therefore always be considered with great caution and such an audit should only be carried out where it is clear that it will be possible to obtain sufficient, relevant and reliable audit evidence and to issue clear, useful and timely information in the reporting phase, in order to meet both the objectives of the performance audit and those of the financial audit and / or the compliance audit. The two elements must be clearly differentiated in the audit plan and in the audit program, so that the audit team can clearly distinguish between the different audit objectives in the audit task and pay due attention to them. Where there is an overlap between other types of audit and performance audit, the classification of the audit engagement in question shall be determined by the primary objective of that audit.

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- The performance audit manual prepared by the Court of Accounts
- The compliance audit manual prepared by the Court of Accounts