PERFORMANCE AUDIT AND ITS ROLE IN MAKING PUBLIC INSTITUTIONS MORE EFFECTIVE

***Ionela Popa*[1]**

Abstract

The attributions of the Court of Auditors regarding a performance audit are provided in Article 21 Paragraph (2) and Article 28 of Law no. 94/1992, reissued. According to these provisions, the Court of Auditors:

• deals with the performance audit of using the financial resources of the state and of the public sector;

• performs an independent assessment of the economic efficiency and effectiveness of a public entity, programme, project, process or activity in using public resources allocated to achieve the objectives set.

The paper aims to identify the peculiarities of audit missions and their effects on public institutions.

Jel Classification: H80, H83

The creation and efficient use of public funds is a prerequisite for the success of Romania's ongoing economic and financial reforms and sustainable development. Budget funds allocated to public entities are not so comfortable as to allow them to spend such funds without any restrictions. This should be a call for prudent and thoughtful deeds, for the need to make great efforts to find the most appropriate ways to use the available resources. An essential contribution in the protection of financial resources, in promoting the responsibilities of entities involved in the creation and use of public funds, in promoting the order and the discipline needed for the management of public money, in the enhancement and development of the government's public and private patrimony rests with a public audit.

The main purpose of an audit carried out in public entities is the creation and use of their funds. A public audit is an independent review, a professional responsible opinion, a critical review of support and improvement, a credibility asset brought to the information on the use of public funds.

Internationally, the institutionalized framework regarding the external control and audit of public finance is provided by the International Organization of Supreme Audit Institutions (INTOSAI). It is for more than 50 years that INTOSAI has provided an institutionalized framework for promoting the exchange of knowledge and expertise, improving public external audit worldwide and has thereby contributed in strengthening the image, skills and prestige of various SAI's at national level and beyond.

According to the INTOSAI Audit Standards, a performance audit aims at independently assessing or examining the extent to which a programme, project, process, activity or public entity works economically, efficiently and effectively.

The Romanian Court of Auditors is the supreme external financial control institution on how to create, manage and use the financial resources of the government and of the public sector. The Court of Auditors also exerts jurisdictional duties.

The following types of activities are organized here:

1. Financial audit. The overall objective of a financial audit performed by the Court of Auditors in public institutions is to get reasonable assurance on: how to manage the public and private property of the government and of administrative and territorial units as well as the execution of revenue and expenditure budgets by an audited entity if they are consistent with the purpose, objectives and attributions provided in the normative acts by which the audited entity was set up and comply with the principles of lawfulness, regularity, economy, efficiency and effectiveness; audited financial statements, if prepared by an entity in accordance with the financial reporting framework applicable in Romania, comply with the

[1] Lecturer, Ph.D., "Constantin Brâncoveanu" University, Piteşti, Romania, popaionela80@yahoo.com

principles of lawfulness and regularity and provide a true fair view of one's financial status, financial performance and other information regarding an entity's business and providing an opinion in this respect.

2. Conformity audit (control) consists in checking whether the activities of public entities are in accordance with the laws, regulations and decisions of the authorities governing the performance of such entities.

It implies checking how an audited entity complies with the laws, other regulatory acts, rules, regulations, policy rules, codes laid down or terms agreed upon, etc.

3. Performance audit

The attributions of the Court of Auditors on carrying out a performance audit are provided in Article 21 Paragraph (2) and Article 28 of Law no.94/1992 reissued. According to such provisions, the Court of Auditors: carries out performance audits of using the financial resources of the government and of the public sector; performs an independent assessment of the economy, efficiency and effectiveness by which a public entity, programme, project, process or activity uses the public resources allocated to achieve the objectives set.

A performance audit is the audit of one's good financial management, aiming at assessing the savings made while managing the funds allocated in order to accomplish an audited programme/project/process, namely determining the extent to which management principles and practices ensure the minimization of the costs of allocated resources, without compromising the successful achievement of objectives; the efficiency of using human, material, financial resources, including the examination of information systems on performance indicators, of internal control systems and procedures followed by audited entities, namely maximizing the results of a programme/project/process/activities in relation to the resources used and determining the ratio between the results obtained and the cost of resources used to obtain them; the effectiveness of using public funds, that is deciding the achievement level of the declared objectives in a programme/project/process/activity, as well as comparing the actual impact with the desired impact.

Measuring performance through the "3E's" - economy, efficiency, effectiveness - is a must to entity management at all levels in order to have a clear picture of the performance of a programme/project/process/activity.

The concepts of a performance audit are defined as follows:

Economy – it consists in minimizing the costs of resources allocated in order to achieve the expected results of a programme/project/process/activity or of a public entity, while maintaining the appropriate quality of such results. The economy concept refers to an entity's ability to minimize the cost of an activity without affecting its quality.

An economy audit can provide answers to questions such as: Do the procedures chosen for an entity's acquisition of goods and services represent the most economical way of using public funds? Have human, financial or material resources been used economically? Has the management acted in accordance with the policies to achieve the performance goals and targets set?

Efficiency – it consists in maximizing theresults of a programme/project/process/activity or of a public entity in relation to the resources used to obtain them. The efficiency concept refers to an entity's ability to execute a programme/project/process or activity with maximum efficiency while using limited resources.

An efficiency audit can provide answers to questions such as: Have human, financial or other resources been used efficiently? Have an entity's programmes, projects, processes, activities been managed, organized, executed, monitored and assessed efficiently? Do entities' activities meet the objectives and requirements set? Are public services good quality, citizen-oriented and timely?

Effectiveness – it consists in the level of achieving the objectives set for each of the programmes/projects/processes or activities and the relationship between a projected effect and an actual result of a certain programme/project/process or activity. The effectiveness concept assesses the extent to which goals and objectives have been achieved, that is the extent to which a programme, project, process or activity meets its goals and objectives.

An effectiveness audit answers questions such as: Have the management policy objectives been achieved via the means used, namely have the results set been achieved? Have the means used and the results obtained been in line with the objectives of the management policy? Is the planned impact a direct result of the management policy and not due to other circumstances?

A performance audit can be executed both in the end and during the course of the projects, programmes, processes or activities. A performance audit is conducted in accordance with the auditing standards developed by the Court of Auditors, based on the INTOSAI auditing standards and best practices in the field and on the professional judgment of external public auditors, and is completed by developing an audit report.

The findings and recommendations made in an audit report are aimed at reducing costs, increasing the efficiency of using resources and achieving the objectives proposed in a programme/project/process/activity/entity being audited.

A performance audit allows the Court of Auditors to provide the Parliament, the government, audited entities, institutions concerned and taxpayers with reports on how to use public funds, including the Court of Auditors' recommendations to increase economy, efficiency and effectiveness while using them.

References:

1. Court of Auditors - Audit Standards, 2011;
2. Law no.94/1992 on the organization and operation of the Court of Auditors, reissued, with further amendments and additions;
3. Law no.500/11.07.2002 on public finance, issued in Official Gazette no.597/12.08.2002, with further amendments and additions.