

THE PERFORMANCE MEASUREMENT FRAMEWORK OF THE IN SUPREME AUDIT INSTITUTIONS

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Summary

This article aims to analyze the performance of supreme audit institutions through various instruments that are currently used in international practice.

It also analyzes the overall performance measurement framework in the supreme audit institutions members of INTOSAI (SAI PMF) and identifies the main methods used to measure the performance in these institutions.

There are also provided a number of performance indicators currently used by the Romanian Court of Accounts and other similar supreme audit institutions in order to measure the performance in the course of their control / audit activity.

Keywords: SAI PMF, Romanian Court of Accounts, performance indicators, supreme audit institution, INTOSAI.

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Introduction

Supreme Audit Institutions (SAIs, Supreme Audit Institutions) represents public authorities of the State conducting external auditing activity at the highest level in the state. The role of these institutions is extremely important in the functioning of democratic states.

The importance of the Supreme Audit Institutions is recognized at the United Nations, being adopted at the 69th General Assembly a new resolution that clearly defines the necessary conditions for the effective functioning of these institutions in order to promote sustainable development of public administration internationally (the UN Resolution A/69/228 *Promote and encourage efficiency, accountability and transparency of administration by strengthening supreme audit institutions*, adopted in December 2014, which complements the UN Resolution A / 66/209 *on the independence of Supreme Audit Institutions*, adopted in 2011) which clearly defines the conditions necessary for the effective functioning of these institutions in order to promote sustainable development of public administration internationally.

In recent years was paid an increasing attention to the performance of Supreme Audit Institutions. It was noted that these institutions use a variety of mechanisms, including reports on their activities and developments, assessments according to the ISSAI (*International Standards of external audit for the public sector* developed by INTOSAI, which is a framework of standards implemented in each SAI depending on the national features) and assessment tools developed at regional and international level, some of which include **performance indicators**. The adoption of the complete set of ISSAI in 2010 gave greater attention to performance evaluation, because it is assumed that the INTOSAI community now has a common reference point to measure performance.

Continuous performance is the goal of any organization, because only through performance the organizations have the opportunity to grow and progress. In the general sense, the performance represents a significant achievement in a field. This definition leads us to conclude that „ *performance is not a finding, it is built* " (A. Bourguignon).

Why is it so important the performance measurement of the supreme audit institutions? A supreme audit institution provides a strong and independent climate of stability, especially in conditions of economic crisis, as was the case of the recent economic and financial crisis that started in 2008 and which affected all of Europe.

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2. Supreme Audit Institutions Performance Measurement Framework. SAI PMF

Until now, there is no common framework at the international level in terms of performance measurement of the supreme audit institutions, but there are more ways that most of SAIs members of INTOSAI measure their own performance, ways that I will present in this paper.

Although there still isn't a final common framework for performance measurement of the SAIs, INTOSAI has initiated, through a working group, a project which proposes to develop such a framework. This project is called **SAI PMF (Supreme Audit Institutions Performance Measurement Framework)**.

By this performance measurement framework, it is proposed that this framework to be a global public good, available to all SAIs, but without constraint regarding its use. It may be used in various ways for different purposes.

SAIs may choose to use this performance measurement framework only if this would help to meet a part of their own targets. This should enable a better performance management, time performance monitoring and an evaluation that should conduct to learning the lessons.

The benefits of such a framework come from improving the capacity of individual SAIs to enhance their own performance, to increase the integrity of SAIs to external stakeholders (citizens, Parliament, public authorities, mass media, etc.) and to maintain the external support for the development of these institutions.

The reasons for which INTOSAI aims to develop a performance measurement framework for Supreme Audit Institutions are the following:

- Identifying opportunities to strengthen the SAIs performance
- Improving the SAIs' approaches for capacity development, by using performance management
- Promoting transparency and accountability, through public credible reporting of SAIs performance
- Allows a better mutual learning (developing a system of standardized indicators can provide a basis for smart comparison, dialogue and understanding between SAIs, allows the identification of performance trends and common needs for capacity building in the regions of INTOSAI and the INTOSAI globally, can identify the elements which contribute to strong or weak performance and the factors contributing to the successful development of the capacity of these SAIs).
- Demonstrating the changes of SAIs' performance to stakeholders (Parliament, citizens, the media and other stakeholders)
- Disclosure of performance weaknesses (can be a good reason for a supreme audit institutions to seek additional support for institutional capacity development initiatives and to address the identified weaknesses)
- Using performance tables (efficiency if a SAI wants to compare their own performance with those of other similar SAI)

SAI PMF has set four levels of supreme audit institutions development, namely:

Level 0 - the concept of a supreme audit institution is not established or not functioning. This concept does not exist or exist only in name but not functions.

Level 1 – the Founding level. The concept of a supreme audit institution exist, but everything is at the founding level. The supreme audit institution can be part of the Government (which can seriously affect its independence), having limited financial and operational independence. Also on this level, there are not developed strategies, human resources and communication strategies. There are performing compliance audits (controls) and financial audits, but are not used auditing standards or modern auditing

techniques. The performance audit is missing or barely developed. There is a little communication with the public and poor results of the audit reporting to stakeholders.

Level 2 – The Development level: the supreme audit institution provides a basis for government accountability on use of public resources. The concept of a supreme audit institution exists and the institution began developing and implementing relevant strategies and policies. It also has strategic action plans, development strategy and for human resources and communications strategy, but they are weak or are only partially implemented. Regarding the independence, it has some legal provisions for independence, but they are not complete and are regularly hampered in practice. At the same time, compliance and financial audits are conducted following standards of level 3 of ISSAIs and there is a good audit coverage. There is a limited number of performance audits, but not at level 4 of ISSAIs standards. The audit reports provide an overview of the use of public money by the entity and an opinion on the financial statements. Audit reports are submitted to Parliament, although channels of communication with Parliament may be weak. There is a form of public disclosure of the SAI annual report.

Level 3 – the Established level: SAI provides a basis for government performance. Supreme audit institution operates. Its independence is enshrined in law and is financially and operationally independent of the executive power, in all aspect. It also has strategic action plan, a development strategy and a strategy for human resources and communication, that are implemented largely as planned. All compliance, financial and performance audit are performed under the level 4 standards of ISSAI or equivalent level standards in detail. The audit reports provide an overview on the use of all public resources and on the performance of audited bodies. Audit reports are submitted to Parliament and Parliament channels of communication are robust. Most audit reports are published in a format that is suitable for the intended audience.

Level 4 – Success level: the supreme audit institution is an enabler for improved governance performance. Supreme audit institution operates and implements activities in a way that allows evaluation and continuous improvement of its performance. Its independence is enshrined in law and is financially and operationally independent of the executive power in all aspects. The institution is perceived in society as an independent pillar of responsibility and is evaluated by the Executive as an enabler for improved governance performance. It also has strategic action plans and development strategy and strategies for human resources and communication that are implemented as planned, monitored and evaluated to contribute to organizational learning. All compliance, financial and performance audits are performed under the level 4 of ISSAI standards and are seen as an added value to stakeholders. Audit reports are submitted to Parliament, as part of an ongoing and constructive dialogue between the institution and the Parliament. All the audit reports and summaries appropriately adapted are published and disseminated proactively to the stakeholders, using a variety of media channels. The institution engages in a dialogue with all stakeholders and uses the information collected to improve selection, planning and implementation of audits. SAI has a prominent public profile and communicates the value and benefits to society in that country.

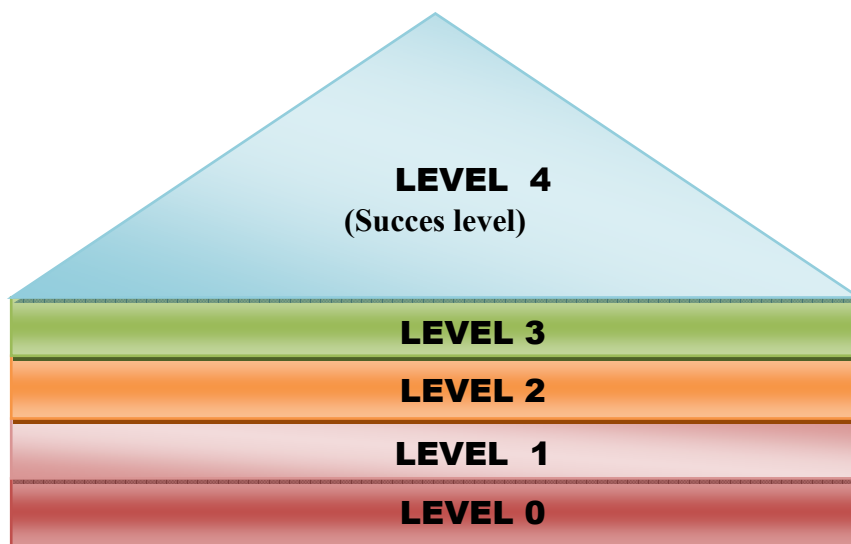


Figure 1. Levels of development of Supreme Audit Institutions, according to SAI PMF

Regarding the SAI PMF, in the year 2014 was launched a pilot version of the performance measurement framework, being tested in several SAIs, some of which are already completed the testing period in that year (SAI Slovakia SAI SAI Guatemala and SAI Brazil).

Currently, the SAI PMF project is completed and will be launched at the INTOSAI Congress in December 2016, congress that will take place in the United Arab Emirates.

3. Models of individual indicators used by some supreme audit institutions member of INTOSAI

The method of management by objectives is one of the systems of planning and control the most widely used in organizations, both in the public and private sectors. This method consists in setting objectives at all levels (organizational, operational, individual), activity planning to achieve them. It is a process of self-control and a system of periodic review, followed by a performance evaluation. In order to measure the level of objectives achievement, there are designed performance indicators to measure the performance of the organization.

Performance evaluation can be very useful. A periodic review of the performance provides information on the state of play and the level at which the organization is, in terms of achieving its objectives. This assessment of the organization must inform the management about what works properly, while being required to communicate also the areas needing improvement, to take the necessary corrective measures.

Although SAI PMF has not been released yet, being launched in December 2016, however, supreme audit institutions have developed a series of performance indicators, to measure their individual performance.

In this article we analyze the performance indicators used by the Romanian Court of Accounts, Court of Accounts of Moldova, the Court of Accounts of France and the United States of America Government Accountability Office (GAO).

The Romanian Court of Accounts uses **14 performance indicators for external use** (quantitative and qualitative) and **26 performance indicators for internal use**. Much of the 14 performance indicators for external use are found in the public reports of the

Romanian Court of Accounts, which are issued annually and are presented to Parliament and other stakeholders. These indicators are shown in the table below:

Table no. 1 Performance indicators (external use) used by the Romanian Court of Accounts

| Indicator | Name of the performance indicator |
|------------------|--|
| IP1 | The share of public entities annually audited by the Romanian Court of Accounts in all of those attributed to the Romanian Court of Accounts audit (included those described at point 260 from <i>Regulation on the organization and conduct of the Court of Accounts' specific activities as well as on the resulting documents follow up</i>) |
| IP2 | The total number of control/audit reports issued following the actions annually carried out by the Romanian Court of Accounts (exclusively the audit activities related to the way of implementing the measures provided in decisions issued); |
| IP3 | Total number of reports issued by the institution and that are submitted to Parliament, to deliberative public authorities of the administrative territorial units and to other authorities, following the audit actions under the Annual Activity Programme of the Romanian Court of Accounts; |
| IP4 | The amounts estimated by the external public auditors at the entities audited by the Romanian Court of Accounts representing additional revenue due to public budgets (established in addition to those highlighted and reported in the financial statements and / or the amounts representing accessories related to liabilities) |
| IP5 | Amount of damages estimated by external public auditors following the audits carried out under the Annual Activity Programme of the Romanian Court of Accounts |
| IP6 | The total number of irregularities (financial-accounting, budgeting and other irregularities) detected during audits annually conducted by the structures of the Romanian Court of Accounts, in which: - Number of deviations quantifiable and their value - Number of deviations unquantifiable |
| IP7 | The share in total measures ordered by decisions issued annually by the specialized structures of the measures: - Under implementation by the audited entities; - Implemented by the audited entities - Not implemented by the audited entities. |
| IP8 | The share of accounts that have been issued compliance certificates in the total of execution budget accounts audited annually by the structures of the Romanian Court of Accounts. |
| IP9 | The number of proposals amending and completing the legislative framework formulated by the Romanian Court of Accounts in Annual Public Report, following the audits performed annually, of which: - Implemented through the adoption of amendments/additions to the legislative framework. |
| IP10 | The share of intimations, petitions and complaints that were verified in the institution in the total of these addressed to the Romanian Court of Accounts (to the specialized central and territorial structures) in a year by the state institutions or other legal entities and individuals. |

| Indicator | Name of the performance indicator |
|------------------|---|
| IP11 | The number and frequency of the Romanian Court of Accounts' appearances in the mass-media and presentation of these |
| IP12 | The number of opinions requested to the Romanian Court of Accounts, in accordance with Art. 41 of Law no. 94/1992, republished, of which: - The number of favorable opinions granted. |
| IP13 | The number of days allocated annually to the training courses organized at the Court, incumbent per external public auditor. |
| IP14 | The assessment by the audited entities of some ethical aspects and of audit quality carried out by the Romanian Court of Auditors and its impact on their business (questionnaires that are completed by the entities checked). |

Source: Journal nr. 9 of the Romanian Court of Accounts of 2015

The most of the information used to calculate these indicators are provided by the two systems used by the Court of Accounts, respectively INFOPAC and INFOTEAM, but for more accuracy are used also other sources (studies, reports, summaries of the institution or data from other institutions).

The Court of Accounts of Moldova has established a set of indicators on the evaluation of the audit activity, including the monitoring of implementation of recommendations issued by the institution. These indicators are presented in a Guide, being presented in the table below:

Table no. 2 Performance indicators used by the Court of Accounts of Moldova

| Indicator | Name of the performance indicator |
|---|--|
| 1 | The total number of audits carried out, under the Court's program of audit activity, including: - planned by the Court of Accounts; - at the request of parliamentary factions; - in accordance with international commitments (Policies Matrix). |
| 2 | The number of decisions taken as a result of the audits |
| 3 | The total number of audit reports prepared as a result of audits carried out, including: - number of regularity audit reports; - number of performance audit reports - number of IT audit reports - other types |
| 4 | The average number of auditor/days per mission (report) audit (total), including: - the average number of auditor/days per mission (report) of compliance audit - the average number of auditor/days per report of performance audit and IT |
| 5 | Coverage of entities under the Court's audit, including: - the auditing of CPA (compliance audit). |
| 6 | Number of requirements and recommendations submitted, of which: - implemented; - in the process of implementation; - with the period for implementation expired |
| 7 | Audit materials submitted to law enforcement agencies, including: - number of cases filed; - number of ordinances for not to prosecute. |
| 8. The indicators for the classification of irregularities in the activity of the Court of | |

| Indicator | Name of the performance indicator |
|------------------|---|
| Accounts: | |
| 8.1 | Deviations and errors admitted in the preparation and budget planning |
| 8.2 | Legislative-regulatory violations generating damages in / from: - administration of budget revenues; - revenue administration by public self-financing entities; - revenue management by entities with wholly/majority state social capital; - the use of budget resources; - use of by public self-financing entities; - the spending / consumption of the entities with integral / majority state social capital. - damages caused by the lack of material goods / damage of fixed assets etc. |
| 8.3 | Deficiencies, including legislative and regulatory framework related to the use of funds and public property without respecting the principles of economy, efficiency and effectiveness, including in the work: - budgetary institutions; - public self-financing institutions; - entities with integral/ majority state social capital. |
| 8.4 | Legislative and regulatory violations that can not be quantified the impact value, including findings from / in: - administration budget revenues; - revenues administration by public self-financing entities; - revenues management by entities with integral / majority state social capital; - use of budgetary resources, including: - public procurement activities; - use of means by public self-financing entities, including: - public procurement activities; - the spending/consumption of the entities with integral/ majority state social capital; - public property management |
| 8.5 | Financial-accounting irregularities, which determined: - errors in reporting accounting data and financial statements; - failure to adequately record public property and other material goods in the accounting records. |
| 8.6 | Other violations that have not been indicated in other sections |
| 8.7 | The number of normative-legislative acts proposed for development/ adjustment, including: - the number of legislative and regulatory acts adopted. |

Source: Guidance on key indicators established to evaluate the audit work, including monitoring the implementation of requirements and recommendations of the Court of Accounts

For the calculation of these indicators, the Court of Accounts of Moldova has developed a methodology, that must be applied by all employees of the Court of Accounts involved in audit/control activity, in order to have an uniform approach of them and to be able to properly monitor developments of this supreme audit institution.

The Court of Accounts of France presented at the Conference AISCCUF (International Association of Supreme Audit Institutions using French language) organized in 2013 in Morocco, a series of performance indicators developed in the institution. These indicators are shown in the table below:

Table no. 3 Performance indicators used by the Court of Accounts of France

| No. | Objective | No. | Indicator |
|-----|---|-----|--|
| 1 | Ensuring the quality of public accounts | 1.1 | The share of public accounts controlled |
| | | 1.2 | Effect on accounts regarding their certification |
| 2 | The contribution to improving public management and public policy | 2.1 | Follow-up of the Court of Accounts and the Regional and Territorial Chambers of Accounts recommendations |
| | | 2.2 | The timely examination of accounts |
| 3 | Assistance to public authorities | 3.1 | Tasks required by public authorities under timing aspect (%) |
| | | 3.2 | Number of appearances in front of Parliament |
| 4 | Informing citizens | 4.1 | The number of appearances in mass-media |
| | | 4.2 | Number of visits on internet webpage |
| 5 | Sanctioning irregularities and financial mismanagement | 5.1 | Trial time |
| 6 | Improving the functioning of financial jurisdictions | 6.1 | Human resources management efficiency |

Source: The Presentation of the Court of Accounts of France on AISCCUF Conference in 2013 (Rabat, Morocco)

For each type of non-jurisdictional control (financial audit, performance audit and compliance audit) the performance measurement framework of the French institution focuses on:

- volume of the controls and the reports produced
- delays in the performing controls
- dissemination of controls results
- follow-up of recommendations

The supreme audit institution of France issues every year an Annual Performance Report (APR Annual Performance Report). These reports measure the results for each of the indicators defined in Annual Performance Plan (APP) established.

Regarding the performance indicators used by the supreme audit institution of the United States of America (GAO), they are presented in the table below, in development for 5 years, since 2010:

Table no. 4 Performance indicators used by GAO for the year 2015

| Performance measure | 2010 actual | 2011 actual | 2012 actual | 2013 actual | 2014 actual | 2015 Target | 2015 Actual | Met/ not met | Target 2016 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|-------------|
| Results | | | | | | | | | |
| Financial benefits (dollars in billions) | \$49.9 | \$45.7 | \$55.8 | \$51.5 | \$54.4 | \$46.0 | \$74.7 | Met | \$50.0 |
| Other benefits | 1,361 | 1,318 | 1,440 | 1,314 | 1,288 | 1,200 | 1,286 | Met | 1,200 |
| Past recommendations implemented | 82% | 80% | 80% | 79% | 78% | 80% | 79% | Not met | 80% |
| New products with recommendations | 61% | 68% | 67% | 63% | 64% | 60% | 66% | Met | 60% |
| Client | | | | | | | | | |
| Testimonies | 192 | 174 | 159 | 114 | 129 | 130 | 109 | Not met | 120 |
| Timeliness | 95% | 95% | 95% | 94% | 95% | 90% | 98% | Met | 90% |
| People | | | | | | | | | |
| New hire rate | 95% | 84% | 76% | 66% | 88% | 80% | 83% | Met | 80% |
| Retention rate | | | | | | | | | |
| With retirements | 94% | 92% | 93% | 93% | 94% | 90% | 94% | Met | 92% |
| Without retirements | 96% | 96% | 96% | 96% | 97% | 94% | 96% | Met | 96% |
| Staff development | 79% | 79% | 80% | 80% | 83% | 80% | 84% | Met | 80% |
| Staff utilization | 77% | 78% | 76% | 75% | 77% | 76% | 79% | Met | 76% |
| Effective leadership by supervisors | 83% | 83% | 82% | 83% | 83% | 82% | 83% | Met | 82% |
| Organizational climate | 79% | 80% | 78% | 77% | 79% | 76% | 80% | Met | 76% |
| Internal operations | | | | | | | | | |
| Help get job done | 3.94 | 80% (3.9) | N/A | 82% | 82% | 80% | N/A | N/A | 80% |
| Quality of work life | 3.94 | 80% (3.9) | N/A | 78% | 78% | 80% | N/A | N/A | 80% |
| IT Tools | N/A | N/A | N/A | 68% | 65% | 80% | N/A | N/A | 80% |

Source: GAO. | GAO-16-3SP

As can be seen from the table above, the US Supreme Audit Institution (GAO), uses a range of indicators, divided into 4 main areas namely:

- results
- client
- people
- internal operations.

All four components are reviewed annually by the GAO in order to obtain not only an overview of the performance of the institution but also to be able to easily track these indicators over time.

4. Conclusions

Establishing performance of an organization is not an easy thing, and even more for a public organization, as public sector encompasses a number of tasks that modern Western societies can not leave only to the market mechanism. It's about collective goods (public) and individual goods involving externalities (important external effects, which manifests itself with individual consumption of goods such as education, health etc.). This is why the state is responsible for important social functions, such as public administration, education, healthcare and social services, social protection, security and public order.

In this architecture of state institutions, the supreme audit institution plays an extremely important role because it is the only empowered to conduct external audit of all public resources and therefore the only one that can bring added value through recommendations issued as a result of audit activity in the activity of the entities that it audits.

The performance indicators systems are the cornerstone of performance management processes. These systems facilitate the measurement and improvement of the activities in the organization and this applies also to the Supreme Audit Institutions.

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