

ECONOMIC SCIENCES

PERFORMANCE AUDIT – ESSENTIAL ELEMENT OF IMPROVING THE MANAGEMENT OF PUBLIC SECTOR INSTITUTIONS

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Introduction. Conducting a performance audit in public sector organizations is fundamental, especially in the midst of globalization, when the performance of public sector organizations arouses increasing interest, and concern for how public money has been spent finds numerous protagonists. Thus, the auditor evaluates, based on professional reasoning, the results of the organization from the point of view of economy, efficiency and effectiveness, the quality of management, examining the way in which the organizations use the allocated funds.

In the view of the INTOSAI International Auditing Standards, the performance audit represents an evaluation or an independent examination of the extent to which an activity, program or organization operates efficiently and effectively, with respect for economy.

The INTOSAI International Audit Standards specify that the objectives of the performance audit are defined by the legislation, but also by the Supreme Audit Institutions. In this sense, it mentions the following general objectives [2]:

– Carrying out independent examinations required by the legislature and the audited organizations regarding the economy, efficiency and effectiveness of the implementation practices of government programs and the means used to achieve them;

– Identification and analysis of problems regarding the economy, efficiency and effectiveness of government programs and the area in which performance is diminished, thus supporting the audited organization in adopting correct managerial decisions;

– Reporting the impact of the program and analyzing the extent to which the expected objectives were achieved, and if they were not achieved, the causes must be identified;

– Provision to the legislature or the audited organization of the results of independent analyzes regarding the validity and degree of confidence of the established performance indicators, as well as an assessment of the degree of

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confidence of the self-evaluation indicators established and reported by the organizations that administer public funds;

– Formulation of recommendations for the legislature and the audited organization, based on the findings and conclusions resulting from the audit activity.

The national regulations in the field provide that the purpose of the performance audit is to provide relevant information regarding the manner of implementation and the consequences of public activities [1]. Thus, it is deduced that the performance audit focuses only on the results obtained by public sector organizations, characterized by the determination of the three Es, namely economy, efficiency, effectiveness:

– *Economy*, is defined as the limit and conditioning within which a public sector organization acquires its material and human resources; an economical public organization acquires these resources in the appropriate quantity and quality at the lowest costs [5]. In performing the performance audit, the essential issue is whether resources have been allocated, managed and used economically. The question it tries to answer is whether the chosen means represent the most economical way of using the allocated resources;

– *Efficiency* is defined by the relationship between the goods and services produced and the resources used to achieve them. An efficient public organization achieves the maximum of services or products from the material and human resources entered, or minimizes the inputs necessary to achieve the same amount of services or products in quality conditions, the management goal being to increase productivity against the background of reducing unit costs. In the case of an efficiency audit, the central topic is the examination of the resources used. That is why the main problem is the optimal use of resources [7]. The question that arises is whether, following the actions taken, the organization obtains the optimal result in terms of quality and quantity. The efficiency audit can also be carried out by comparing similar activities carried out in different time periods, or by reporting to certain specific standards, and in case the problems are complex and there are no standards, the examinations are carried out on the basis of the best practices in the field respectively;

– *Effectiveness* is the extent to which a public sector organization achieves its stated objectives in relation to the costs generated. Although the auditor can determine or measure the effectiveness by comparing the results with the goals established within the objectives, however, it is recommended that when auditing the effectiveness try to determine the extent to which the actions taken have contributed to the achievement of the objectives [6]. Effectiveness reviews must show whether the management policy objectives have been achieved and whether the results achieved can be attributed to the management policy.

The performance audit does not focus only on the concerted analysis of the three Es, because the complexity of the examinations of the «3Es» is largely dependent on the objectives of the audit. If the performance audit aims to draw conclusions regarding economy and efficiency, the auditor must also consider an effectiveness analysis. In the case of an effectiveness audit, the auditor will also have to take into account aspects related to economy and efficiency. Therefore, we can say that measuring performance in relation to the proposed objectives in accordance with the "3E" is a necessity for managers at all levels.

The type of performance audit differs depending on the nature of the organization on which it is called to pronounce [3]. Thus, the performance audit can be approached in relation to the functions of the organization, the management functions and the management subsystem.

The performance audit approach in relation to the functions of the organization considers the design of the audit taking into account the functions of the public sector organization. The structuring of the specific activities of the management audit, through the prism of how the activities of the public sector organization are delimited and compartmentalized in the form of functions, requires a brief approach to the notion of organization. The organization consists, in general, of the set of elements through which the management provides the organization with an internal architecture in full accordance with the totality of the fundamental goals and, at the same time, an adequate process, so that the organization can fulfill its purpose for which it was established [2]. The process of auditing a function within the public sector organization competes in expressing an opinion and providing competent assurance regarding the entity subject to evaluation.

The performance audit approach in relation to management functions takes into account the fact that any management process involves a transformation and, therefore, in his approach, the auditor will investigate and evaluate how it was designed and how it proceeded, focusing on : identification of inputs, outputs and phases, description and evaluation of transformations specific to each phase individually, nomination or characterization of actors and examination of the service relationships established between them, identification of process characteristics and factors that determine notable influences, detection of non-conformities and strengths [4].

The performance audit approach in relation to the management subsystem implies the definition of the set of management relationships to be investigated and evaluated, from the moment of formulating the mandate for the internal audit mission. The auditor seeks to establish the active factor, the executor who leads to the fulfillment of the assigned task, the content of the service reports, consisting of rights, obligations, competences, responsibilities, deadlines, circuits and informational flows related to management relations.

Conclusions. The consequences of the lack of economy, effectiveness and efficiency of the public sector organizations, of non-compliance with the legal provisions and implicitly of a faulty management have implications at the level of the entire society and are embodied in: the inappropriate use of available resources, with extensive negative effects regarding the achievement of objectives; the running of the internal processes that make up the specific field of activity without milestones and notable performances; the amplification of social tensions as a result of subjective, insufficiently substantiated decisions; compromising the process of reaching predetermined objectives. On the other hand, creditors and financiers, the Government and administrations, the European Union, the International Monetary Fund, the World Bank, are interested in how managerial decisions generate results for public sector organizations, as well as in obtaining assurances regarding the quality of the management process, spending public money.

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