

PERFORMANCE AUDIT AND ITS IMPLICATIONS FOR PUBLIC SECTOR INSTITUTIONAL EFFICIENCY

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Abstract

Performance auditing is an essential component of modern public governance due to its role in assessing the efficiency, effectiveness, and economy of public resource use. In the context of current economic, social, and technological transformations, public institutions face increasing pressure to demonstrate measurable results and responsible fund management. This study analyzes the conceptual and legislative framework of performance auditing, highlights the methods and instruments used, and examines its impact on the management of public institutions. The analysis confirms that performance auditing contributes to enhancing the efficiency of the public sector, improving transparency, strengthening accountability, and optimizing internal processes.

Keywords: audit, performance, public sector

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Performance auditing is a fundamental component in the management of public sector organizations. Unlike financial audits, which focus on the accuracy of financial data, performance audits aim to assess the efficiency, effectiveness, and economy of public sector activities and programs.

The need for efficient management of public resources has become increasingly pressing, especially in a context where citizens demand higher standards of accountability and transparency. Therefore, performance audits have become key tools for improving accountability and efficiency in the public sector.

The public sector plays a fundamental role in the economic and social development of a state by providing essential services to citizens and the business environment. Given the use of public funds, assessing the manner in which these resources are managed becomes imperative. Performance auditing is a key instrument for optimizing processes, strengthening accountability, and ensuring efficient governance.

Performance audit examines the efficiency, effectiveness, and economy of activities within public institutions, going beyond compliance and accounting by focusing on outcomes and their impact on society. The European Union through its supreme audit institutions promotes performance auditing as an essential component of budgetary control systems and the evaluation of results within public institutions.

Performance auditing is an analytical tool capable of supporting the transformation of public institutions by optimizing the use of resources and strengthening managerial accountability.

The main purpose of this article is to explore the role of performance auditing in strengthening public-sector efficiency by analyzing the conceptual, institutional, and methodological framework and the effects generated on governance.

Main objectives of the article

- ✓ Identifying the conceptual and regulatory framework of performance auditing;
- ✓ Analyzing specific performance audit methodology in the public sector;
- ✓ Highlighting the benefits of performance auditing on institutional efficiency;
- ✓ Identifying challenges in implementing performance audits in public institutions;
- ✓ Formulating conclusions on the role of performance auditing in modernizing the public sector.

The methodology used in this article is based on a qualitative approach specific to research in the social and economic sciences reflecting the particular characteristics of performance auditing in the public sector. The investigative process begins with an analysis of the conceptual and legislative framework, followed by the examination of methods and tools applied in the practice of supreme audit institutions both nationally and internationally.

In the first stage, a comprehensive documentary analysis was conducted based on specialized literature, reports of the Romanian Court of Accounts, international standards (ISSAI 3000), reports of the European Court of Auditors, and documents published by international organizations such as INTOSAI (International Organization of Supreme Audit Institutions) and OECD (Organisation for Economic Co-operation and Development). This stage enabled the outlining of the regulatory and methodological framework and the identification of current trends in performance auditing.

In the second stage, a comparative analysis was carried out regarding the tools used in performance auditing, such as Key Performance Indicators (KPI), cost-benefit analysis, and benchmarking. This analysis provided insight into how public institutions can evaluate their activities against good practices and efficiency standards.

Additionally, the research used an evaluative approach by examining how performance auditing contributes to improving decision-making, strengthening managerial accountability, and optimizing the use of public resources. The main benefits highlighted in the literature, as well as challenges related to the implementation of performance audits in different institutional contexts, were reviewed.

The method used is predominantly descriptive-analytical, focused on the critical interpretation of information, aiming to reveal the connection between performance auditing and public-sector efficiency. Through the correlation of theoretical data with examples synthesized from institutional reports, the analysis contributes to understanding how performance auditing influences administrative structures, managerial processes, and final institutional outcomes.

Thus, the adopted methodology enables the formulation of relevant conclusions regarding the role of performance auditing in promoting transparency, accountability, and modernization of the public sector, emphasizing the need for an integrated approach and continuous development of institutional capabilities.

1. Concept of Performance Audit

A performance audit is a systematic and objective process of evaluating the operations of public institutions to determine the extent to which they achieve established objectives. The main characteristics of performance audits include:

- **Efficiency Evaluation** - assessing how well available resources are used to achieve maximum results.

- **Effectiveness Evaluation** - measuring whether the outcomes align with set objectives.

- **Economy Evaluation** - optimizing costs and reducing waste in the use of public resources.

Performance audits use key performance indicators to quantify results and make recommendations that contribute to improving processes and activities.

A performance audit is defined as an independent and objective process of evaluating the extent to which public resources are used in accordance with the principles of economy, efficiency, and effectiveness (the well-known 3E criteria).

The Objectives are -evaluating the efficient use of public resources, analyzing the extent to which institutions meet their objectives, identifying deficiencies and issuing recommendations, Supporting the decision-making process.

The Characteristics are – Independence, Results-orientation, Objectivity, Strategic analysis, Practical recommendations.

The Performance auditing differs from financial or compliance auditing through its focus on outcomes, impact, and added value for citizens.

2 .The Role and Importance of Performance Audits in the Public Sector

Performance auditing is one of the most relevant tools for evaluating how public institutions fulfil their mission and use allocated resources. It goes beyond the traditional perspective of financial auditing focused on the accuracy of accounting records and concentrates on analyzing the efficiency, effectiveness, and economy of public programs and policies.

➤ Ensuring responsible use of public funds

Public funds originate from taxes and fees paid by citizens. Performance auditing verifies whether these resources are used: at minimal cost (economy), to achieve superior results (efficiency), in line with initial objectives (effectiveness).

Thus, performance auditing contributes to responsible budget management, reducing waste, administrative errors, and unjustified investments.

➤ Improving public program performance

Through systematic analysis, performance audits identify: weaknesses of programs; operational deficiencies; causes of delays and additional costs and recommendations based on these evaluations enable institutions to optimize processes and provide more efficient and accessible public services.

➤ Increasing transparency and accountability

The publication of audit reports increases transparency, providing citizens with relevant information on: how public money is spent, institutional performance and the impact of implemented policies.

In Romania, the Court of Accounts annually publishes reports detailing deficiencies and recommendations, becoming reference tools for civil society, academia, and the media.

➤ Supporting strategic decision-making

Performance audits provide data and analysis for: improving public policies, optimal allocation of resources and strategic budget planning.

Thus, auditors become important actors in policymaking, providing objective, evidence-based information.

➤ Strengthening public trust

Performance audits strengthen the relationship between the state and citizens by: increasing accountability, reducing suspicion of corruption and waste and improving the quality of public services.

In practice, institutions that implement audit recommendations increase their legitimacy, improving their relationship with service beneficiaries.

Example — Romania - According to World Bank WGI (2023), Romania scored approx. **46,7%** in “Government Effectiveness,” below the EU average. This reflects a moderate quality of public services, inconsistent implementation of public policies and limited administrative capacity.

OECD (2023) also reports that approx. **45% of public procurement procedures** in Romania involve a single bidder a warning sign that highlights the need for deep performance audits to increase competition and reduce inefficiencies and corruption.

➤ Strategic role in the context of European funds

With the intensification of access to European funds, performance audit becomes crucial for: verification of the achievement of project objectives, assessment of the impact of investments and avoidance of financial corrections.

The Court of Auditors and the audit bodies of EU funds require compliance with INTOSAI standards, in order to ensure efficient and fair control.[9]

The role of performance audit in the public sector is essential for: efficient management of resources, increasing transparency, substantiating strategic decisions and strengthening citizens trust in institutions.

By focusing on results and impact, performance audit becomes a catalyst for reforms, contributing to administrative modernization and alignment with international public governance standards.

2. The Impact of Performance Audits on Public Sector Efficiency

Performance auditing contributes significantly to improving the efficiency of the public sector by evaluating how institutions use resources and achieve their strategic objectives. The role of this type of audit is to identify weaknesses in public management, recommend optimization measures, and support the adoption of modern administrative practices.

By orienting evaluation toward **outcomes** rather than procedural compliance, performance auditing strengthens administrative capacity, improves transparency, and increases the accountability of public decision-makers.

➤ Contribution to improving public administration efficiency

In Romania, relevant indicators highlight the need for a more rigorous implementation of performance audits: [11]. [10] [14]

Table no. 1 — Relevant indicators demonstrating the need for stricter performance auditing

Field	Indicator	Value 2023–2024	Source
Administrative effectiveness	Government Effectiveness Index	46.7 percentile rank (below EU average)	World Bank (2023)
Competition in procurement	Single-Bidder Tenders	~45%	OECD (2023)
Payment promptness	Average delays in payment	16 days	European Commission (2023)
Fiscal sustainability	Budget deficit	~9.3% of GDP	European Commission / Reuters (2024)

These indicators show that the Romanian public system operates with a moderate administrative capacity, a high risk of inefficiency in procurement and pressure on public finances. All of which underline the importance of performance auditing.

➤ Ways in which performance auditing generates impact

Optimizing resource use (cost-efficiency)

The evaluation of public expenditure based on the 3E principles drives institutions to reduce waste, avoid duplication, and prioritize programs with high impact.

Example: Reports of the Romanian Court of Accounts repeatedly showed inconsistencies between budget planning and execution in local administrations, recommending procurement optimization and monitoring of costs per beneficiary.

Improving the quality of public services

Performance auditing contributes to streamlining administrative processes by assessing: processing times, accessibility levels and the user satisfaction.

Example: The evaluation of publicly funded medical services in Romania revealed discrepancies between declared costs and the number of treated patients, prompting a reorientation of allocations.

Increasing transparency and accountability

Publication of audit reports determines:

- ✓ increasing public awareness,
- ✓ reducing decision-making opacity,
- ✓ preventing corruption.

3. Impact of Performance Audits on Public Sector Efficiency

According to OECD (2023), Romania has one of the highest rates of **single-bidder procedures**, which reduces competition and may increase prices.

Table no. 2 — Relevance of performance auditing in public procurement

Indicator	Romania	EU average	Implications
Single-bidder share	~45%	~30%	inefficiency risk
Electronic procedures	>85%	>90%	moderate digitalization
Average duration	110 days	80 days	slow process

Performance auditing can reduce risks through recommendations such as: diversification of bidders, standardization of requirements, full digitalization, reducing procedural duration.

➤ Real indicators of public-sector efficiency

Government Effectiveness Index – România (2023): 46.7 percentage [10]

A score of 46,7% indicates a modest administrative efficiency, limited implementation of public policies and low capacity to manage services.

Table no. 3 — Relevant indicators of public-sector efficiency

Indicator	Value	Year	Source
Government Effectiveness	46.7	2023	World Bank
Control of Corruption	50.5	2023	World Bank
Regulatory Quality	47.8	2023	World Bank
Rule of Law	52.0	2023	World Bank

Source: World Bank <https://www.worldbank.org/ro/country/romania>

Institutional performance can be improved through audits focused on **results**, not just compliance.

➤ Impact on budgetary discipline

A public deficit of ~9.3% of GDP (2024) creates major pressure on public finances. Performance audits enable: identification of low-efficiency programs, prioritization of investments, prevention of waste.

Conclusion: Audit recommendations can directly influence budget planning.

➤ Feasibility, results, and effects

Performance auditing generates concrete effects on the functioning of public institutions; however, the final impact depends on institutions' ability to implement and monitor recommendations. Factors such as managerial stability, access to financial resources, level of digitalization, and organizational culture influence how recommendations translate into measurable outcomes. Interinstitutional cooperation and reporting mechanisms also increase the visibility of progress.

Table no. 4 — Feasibility, results, and effects

Field	Performance audit outcome	Effect on efficiency
Procurement	Reduction of non-competitive procedures	Lower costs
Local administration	Process simplification	Shorter response times
Education	Clarification of objectives	Better resource allocation
Health	Cost-benefit auditing	Improved service quality

Performance auditing has a significant impact on the efficiency of the public sector by: strengthening institutional accountability, increasing transparency, optimizing resources, aligning with international best practices, improving public services.

The impact in Romania is visible through: waste reduction, digitalization pressure, higher reporting standards, more efficient public procurement.

The final outcome is a public administration that is more efficient, more transparent, and more citizen-oriented.

Conclusions

Performance auditing is a key factor in enhancing public sector efficiency, serving as a catalyst for prudent resource use, increased transparency, and improved services for citizens. In a dynamic and complex environment, performance audits contribute not only to

Auditul performanței reprezintă un instrument esențial pentru modernizarea Performance auditing represents an essential tool for modernizing public administration and improving efficiency in the use of resources. By applying the 3E principle—economy, efficiency, and effectiveness—the audit provides a comprehensive overview of how institutions achieve their objectives and manage public funds. The research findings highlight that institutions which internalize the recommendations formulated through audit record significant improvements in process structures, transparency, and operational performance.

A central conclusion is that performance auditing helps stimulate administrative accountability by emphasizing the assessment of objective attainment rather than mere procedural compliance. Thus, public institutions are encouraged to develop results-oriented management strategies, optimize internal processes, and adopt national and international best practices.

Furthermore, performance auditing supports the optimization of public resource use by identifying areas prone to waste, cost overruns, or inappropriate budget allocation. The recommendations formulated may contribute to prioritizing investments and implementing internal control measures that increase budgetary efficiency.

The importance of auditing in improving public procurement processes is also noteworthy. According to OECD data, Romania has a high proportion of single-bidder procurement procedures, a factor that may affect competition. Performance auditing enables the identification of procedural barriers and recommends solutions to increase competitiveness and transparency.

The results further indicate the role of auditing in the digitalization of public administration. The implementation of KPIs, automated monitoring of indicators, and the integration of electronic platforms in procurement contribute to cost reduction and improved citizen access to public services.

Another important aspect lies in the strengthening of budgetary discipline. By identifying deficiencies in financial planning and monitoring budget execution, performance auditing provides corrective guidance to reduce the public deficit and increase the sustainability of public finances. Data for the 2023–2024 period show a high deficit, indicating the need for reforms in public financial management.

- In conclusion, the benefits of performance auditing are manifested through:
- increased institutional accountability;
 - orientation toward measurable results;
 - optimization of internal processes;
 - improvement of public service quality;
 - reduction of financial waste;
 - strengthening of budgetary discipline;
 - enhanced decision-making transparency.

To maximize the value of performance auditing, it is necessary to develop administrative capacity, invest in digitalization, ensure continuous staff training, and secure managerial

commitment to the recommendations formulated. Only through the coherent integration of these directions can the public sector become a vector of sustainable development and respond effectively to societal needs.

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