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Performance Audit – A Useful Tool for Assessing the Management of Public Institutions

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Abstract

The performance audit of the use of public resources is a relatively recent topic, emerging whenever transparency, accountability, and efficiency in the use of public funds are brought into discussion.

The purpose of this study is to establish the current situation regarding the legal and methodological context, the limitations of using the concept of performance in assessing public management, and to formulate proposals for expanding the performance audit process.

The International Organization of Supreme Audit Institutions (INTOSAI) defines performance audit as an independent and objective evaluation of how an organisation, programme, or activity operates in relation to the principles of the “3Es” – economy, efficiency, and effectiveness – with the ultimate aim of optimising public management performance. INTOSAI provides detailed implementation guidelines.

The Romanian Court of Accounts began codifying its practice in the field of performance audit as early as the 2000s, initially publishing the Performance Audit Guide (2003) and later the Performance Audit Manual (first edition in 2005, revised editions in 2013 and 2018).

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This study adopts a qualitative-descriptive research approach, based mainly on documentary analysis of official sources and content analysis of the reports of the Court of Accounts.

The findings from these audits indicate that many public institutions do not fully meet efficiency and effectiveness criteria, with financial resources often being used without a rigorous assessment of their impact.

Following the conducted research, the study concludes with recommendations and directions for future action aimed at strengthening performance audit in Romania and increasing its practical impact.

Key words: performance audit; public institution management; international public audit standards;

JEL Classification: H83

1. Introduction

Over recent decades, performance audit has emerged as an indispensable tool for evaluating the management of public institutions. Unlike financial audit, which focuses on compliance and the accuracy of financial statements, performance audit extends the scope of analysis to the how public resources are used to generate added value and deliver tangible results for society. In the current context - characterised by budgetary constraints and pressures to streamline the administration - this type of audit offers a “value for money” (VFM) perspective, centred on the core principles of managing public resources: economy, efficiency, and effectiveness.

In Romania, performance audit is a relatively recent practice, but it has developed rapidly in recent years, driven by pressures from international bodies (such as the European Union and the World Bank) and by domestic needs to modernise public administration. The importance of this topic is reinforced by increasingly stringent requirements for transparency and accountability in the management of public funds: both citizens and decision-makers expect public money to be spent efficiently, effectively, and economically, generating maximum results with minimal resources.

The Romanian Court of Accounts, as the supreme external public audit institution, plays a key role in shaping

and implementing performance audit. Starting in the 2000s, following legislative changes that aligned Romania with INTOSAI (International Organization of Supreme Audit Institutions) international standards, the Court of Accounts has expanded its mandate and capacity to evaluate performance in public sector. This process has involved the adoption of International Standards of Supreme Audit Institutions (ISSAI) and the development of its own methodologies for performance audit.

However, institutionalising performance audit has faced several challenges: the absence of relevant performance indicators, insufficient professional training of staff, and reluctance from some audited entities towards performance evaluations. The recent context, marked by the COVID-19 crisis (2020–2023), has further underlined the need for efficient governance of public funds, consolidating the role of performance audit as an instrument for ensuring the sound management of public resources.

2. Review of the Specialised Literature

International specialised literature contains numerous works addressing the topic of public management performance.

We refer, for instance, to the book published in 2010 by the well-known publisher Routledge, written by two Belgian professors together with an Australian professor, entitled *Performance Management in the Public Sector* (Van Dooren, 2010). The contents of this work are relevant for the study of the subject. The authors begin by defining the concepts used, then offer a brief history of the concept of management performance. They proceed to show how performance is measured, how performance information is collected and used, who uses it and who does not, concluding with likely future developments.

A review of the specialised literature entitled *The Typology and Determinant of Performance Measurement for Public Sector Organizations* appeared in *Cogent Business & Management* in 2024 (Febriyanti, 2024), authored by researchers from a university in Indonesia, which demonstrates that the subject is global in nature.

Concerns regarding the study of aspects related to performance in public management in Romania have emerged in recent years.

In 2010, the Transylvanian Review of Administrative Sciences published an article entitled *Controversies Regarding the Measurement of the Performance of Public*