



Performance Audit

Conference “Developed Good Governance and Internal Audit in the Public Sector”

Markus Erlmoser
Ministry of Finance, Austria
Riga, October 21th, 2022

Interne Revision



This project is
funded by the EU





What is Performance Audit?

Performance audits are independent, objective examinations of government measures, projects, procedures and organizations from the point of view of economy, efficiency or effectiveness (“3E”), with an indication of any possibilities for improvement.

INTOSAI: ISSAI 3000



Targets of Performance Audits

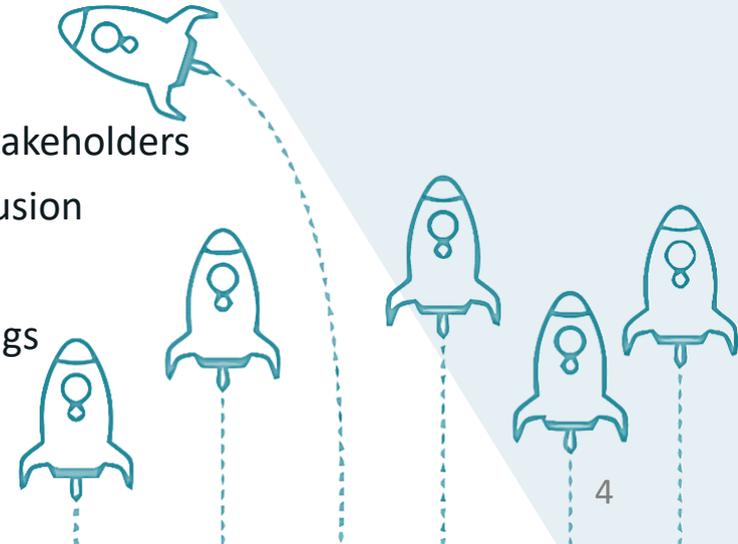
Promoting economy, efficiency,
effectiveness, good governance,
accountability and transparency
in the public sector.



Making suitable recommendations
based on research, fact finding and
audit conclusions.

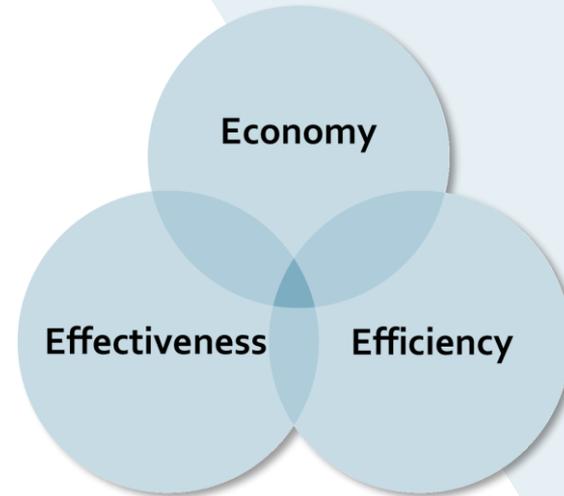
Performance Audit Approach

- Relatively new field in audit theory compared to other audit approaches (compliance audit, financial audit)
- Developing more and new information for citizens, politics and decision makers:
 - developing new findings through broader or more detailed analysis or new points of view
 - facilitating access to existing information for different stakeholders
 - providing an independent and valid evaluation or conclusion based on audit evidence
 - providing audit recommendations based on audit findings

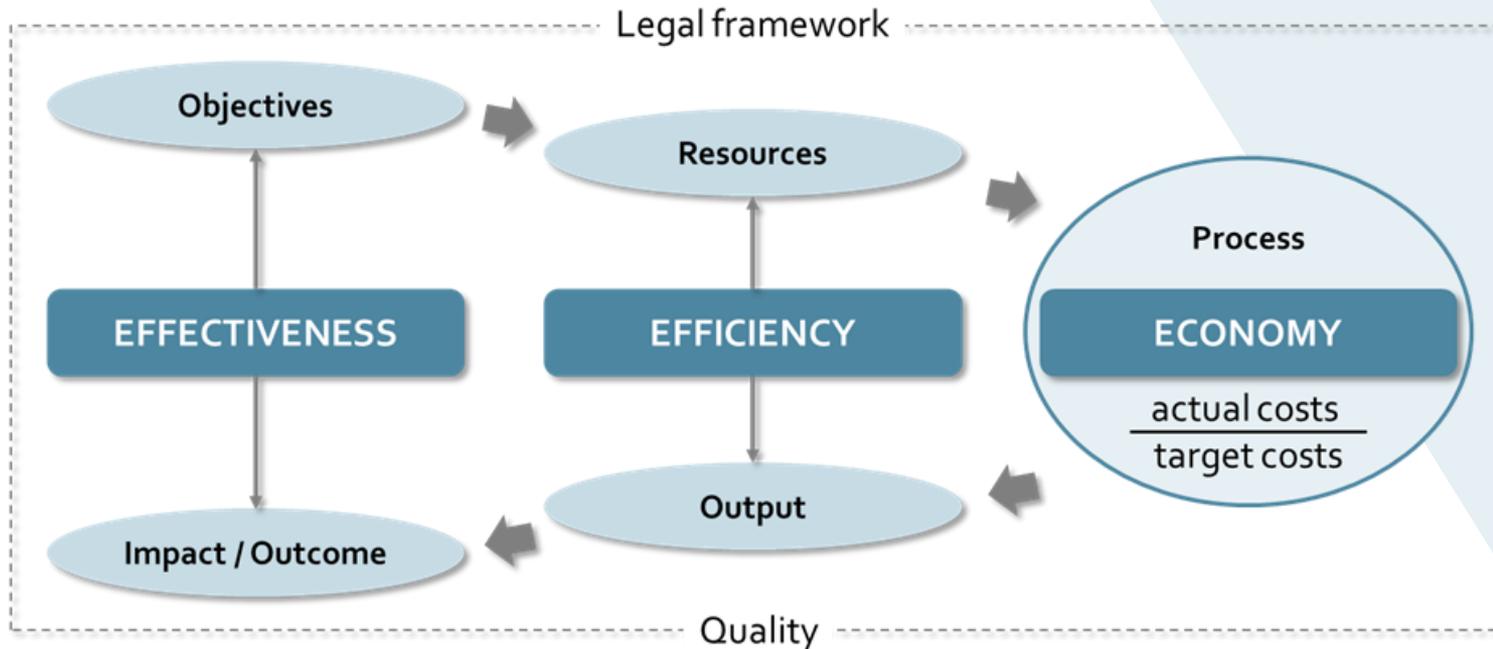


Questions about the famous “3E’s”

- **Effectiveness**
Are the right things being done?
- **Efficiency**
Are the things being done in the right way?
- **Economy**
Are the best results being achieved
with the available resources?



Context and objects of observation



Why performance audits?



Audit focus in performance audits

- **Achievement of goals**
Evaluation of activities helping to achieve the objectives
- **Audit of effects**
Evaluation, if and how activities are effective in achieving the objectives
- **Measuring economy**
Evaluation, if activities are implemented within budgeted resources

Comprehensive and open approach
More objective than problem oriented

Outcome

- Added value to the management through reliable, objective and independent information
- Performance auditing provides answers to questions such as:
 - Do we get value for budget resources?
 - Is it possible to spend the budget better or more wisely?
- Provides incentives for learning and change by providing new information and drawing attention to various challenges from different perspectives

Subject matter of performance audits

- No specific requirements and expectations for the subject matter of the audit
- More flexible in the choice of subjects, audit objects, methods and opinions compared to compliance or financial auditing
- Basically comprehensive and open to judgement and interpretation
- Uses many methods of examination and evaluation
- Does not have to be limited to specific programs, agencies or funds
- May include activities (with their outputs, outcomes and impacts) or existing situations (including causes and consequences)
- Subject matter is determined by the objective and formulated in the audit questions

Audit procedure

- Use of project structures and project tools is useful
- Performance auditing is much more than working through checklists
- It's necessary to create an audit design that fits best to the given audit mandate



Audit planning

- timetable, resources
- Analysis of the environment
- Core audit areas
- Audit methods
- Milestones



Field work

- Fact finding
- Evaluation
- Preliminary recommendations
- Information



Reporting

- Report structure
- Management summary
- Audit results
- Recommendations



Follow up

- monitoring implementation of recommendations
- check of plausibility
- status of implementation



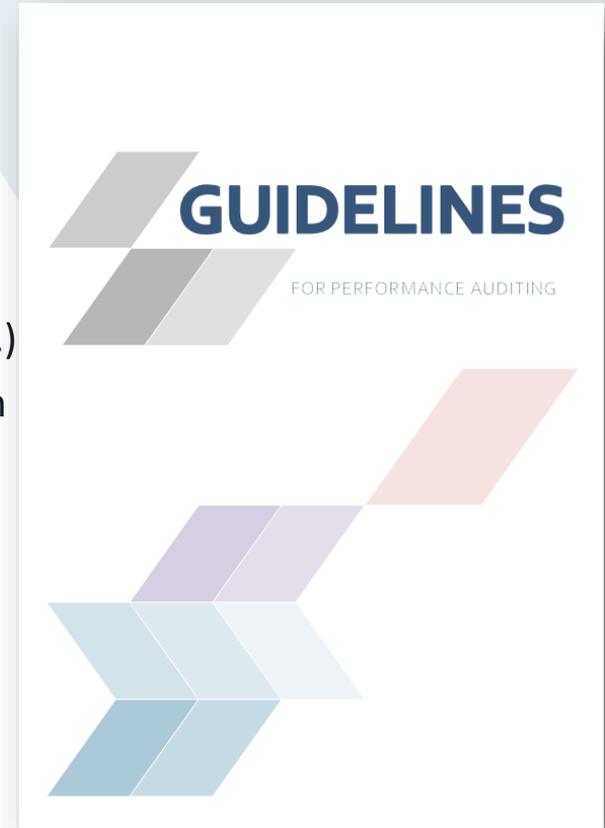
Audit methods



Guidelines for Performance Auditing

Content

- **Theory** (3E's, objectives, etc.)
- **Audit Planning** (audit environment, audit areas, milestones, etc.)
- **Field Work and audit methods** (start-up, fact finding, evaluation recommendations, information, etc.)
- **Reporting** (structure, management summary, audit results, etc.)
- **Follow up**
- **Appendix** (example)



 Federal Ministry
Republic of Austria
Finance

 Federal Ministry
Republic of Austria
Education, Science
and Research



Ministry of Finance
Republic of Latvia

REFORM/GA2020/028

Further development of internal control
system and internal audit in the public sector

Thank you for your attention!

Markus Erlmoser
Ministry of Finance
markus.erlmoser@bmf.gv.at



office@aed.or.at
+43 (1) 71 49 40 330
Heiligenstädter Lände 29
1190 Vienna | Austria