

AUDITING OF PERFORMANCE INFORMATION BY EXTERNAL AUDITORS

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Abstract: Our aim in this article is to present to the interested an innovation in the field of external public audit as an institution that serves the good governance of the respective countries. The scope of this kind of new performance audit will aim at standardizing the objective measurements of performance in the form of indicators, derived from performance information. This will soon be a very effective and acceptable audit model by public and private institutions, in order to achieve the objectives through an economic, efficient and effective use of human resources of theSAIs ,but also of the public entities.

According to the US, EU and other modern countries models, public or private institutions prepare annual budgets based on performance programs, linking them to performance targets. At the end of the year, an activity report is prepared, where the comparison between the budget outcomes and the predetermined objectives is made. Under the new conditions each public entity must perform its budget based on the performance created by achieving short-term and strategic objectives. Performance-Based Budgeting enables the public institutions to orient themselves towards the realization of their mission and vision by defining the resources for achieving their goals and objectives.

Performance audit is based on the monitoring of these units. The monitoring and evaluation of the system is mainly accomplished through ongoing monitoring, self-evaluation and internal audit. Assessing and measuring the performance of a public institution is of primary importance for assessing the contribution of the institution to its country's public life and to guarantee a sustainable development in the future. The standardized performance measurement of public institutions and the promotion of accountability throughout the public sector with the best practices of the European Union and international INTOSAI standards will bring a contribution of external auditors to good governance through the fight against corruption and increase citizens' trust by being transparent towards their citizens. Audit of performance information is a new approach that has started to imply in some Supreme Audit Institutions (SAIs), and is delivering the first fruits in some ways. The ability to set accurate indicators to measure the progress of public institutions in achieving the objectives is seen as a good way of informing the parliament and the public.

Keywords: Performance, audit of performance information, performance indicators, linkage, time, criterion of accuracy, availability, measurement and evaluation, etc.

THE TOPIC

Evaluating and measuring the performance of a public institution is of primary concern and importance in order to assess the institution's contribution to its country's public life and to ensure a sustainable development in the future. The standardized performance measurement of public institutions and the promotion of accountability throughout the public sector with the best practices of the European Union and international standards of INTOSAI will bring a contribution of external auditors to good governance through the fight against corruption and will also increase the citizens' trust by being transparent to them. Audit of performance information is a new method that has started to be implemented in some Supreme Audit Institutions (SAIs), and is yielding the first fruits in some areas where we distinguish:

- a. Efficient use of human resources in SAIs,
- b. Shortening the audit time in subjects,
- c. Carrying out high-level professional audits, as the audit is based on performance information prepared by managers and executives of public sector, whether state-owned, anonymous companies or private companies.
- d. Increase the managerial accountability of performance information compilers and determine the most accurate and customizable metering criteria and indicators.
- e. Discipline Financial Control and Control in Public Units and Increase Public Accountability and Transparency

Under the new conditions, each public entity should perform its budget based on the performance created by achieving short-term and strategic objectives. Performance-based budget enables the public institutions to orient themselves towards the realization of their mission and vision by determining the resources in order to achieve their goals and objectives. According to the European Union Guidelines, each country already has adopted the law on Financial Management and Control (FMC), where in Albania is Law no. 10296, dated 08.07.2010 "On financial

management and internal control", which together with sub-legal acts complement the necessary framework of financial management function and have established the level of officers responsible for applying FMC and drafting of accurate data for obtaining as much realistic information as possible for the performance of the public and private units.

This law disciplines financial management as well as facilitates the efficient, effective and economical use of public resources in terms of accountability and transparency. Financial management in public entities is based on the general principles on the use of public resources that are:

1. Transparency
2. Accountability
3. Strategic planning and performance-based budgeting

Any public or private institutions implementing FMC should define their own strategic plans, identifying their medium and long term goals and objectives. Public or private institutions prepare annual budgets based on performance programs, linking them to performance targets. At the end of the year, an activity report is prepared, where the comparison between the budget outcomes and the predetermined objectives is made. Performance audit is based on the monitoring of these units. The monitoring and evaluation of the system is mainly accomplished through ongoing monitoring, self-evaluation and internal audit. Internal audit is not part of the financial management and control system. According to the Law No. 154/2014 "On the organization and functioning of SAI", Article 6, the following is quoted: "The audit covers the areas of compliance, legality, regularity, financial management, accounting, as well as economy, efficiency and effectiveness of the administration of funds and public property or state".

The audit objectives of performance information are achieved with the ability to determine transparency and accountability through activity reports, based on:

- Providing quality and quantity of report data,
- The ability to set accurate indicators for measuring the progress of public institutions in achieving the objectives as a good way of informing the parliament and the public.

Like any other type of audit, the audit of performance information has the following main phases:

- a. Planning,
- b. Implementation,
- c. Reporting and
- d. Monitoring, these phases, due to the specifics as a kind of audit, we will discuss later on this material.

Planning starts with the establishment of the audit team, the establishment of communication with the auditee subject, the knowledge of the subject being audited, the receipt of general performance management information for the audited entity and the preparation of the audit plan.

Implementation relies on four pillars:

1. Evaluation of the strategic plan.
2. Evaluation of the performance program.
3. The measurement and evaluation of the results of the activity.
4. Evaluation of activity reports.

Specifically: The strategic plan's assessment relies on strategic plans that are prepared by public and private institutions, taking into account development plans, programs, legal basis, mission and vision, as well as providing indicators for measuring the achievement of their performance objectives. Assessment includes; Strategic Planning, Mission - Vision, Goals, Objectives, and Performance Indicators.

What are the definitions for these indicators?

The goal is to determine the results that are required to be achieved in the strategic plans. The objective is a sub-goal that is defined in the strategic plans and for which the indicators for its measurement are identified. The performance indicator will be called the measurable means by which the public institutions measure the achievement of their objectives. Public and private institutions and the administration are responsible for preparing strategic plans, in addition to the FMC law.

The criteria for assessing strategic planning, are:

Availability	Publication of the performance program
Time	Timely preparation of performance programs
Presentation	Preparation of the performance program in accordance

	with the legislation
Linkage	Link between the target and the indicators in the performance
Measurability	Performance indicators must be measurable
Recognition	The performance objectives should be clearly defined

We are analyzing each criterion separately, Specifically:

1. Availability Criterion

The audit team verifies whether strategic plans have been prepared or not by the structures charged by the law.

2. Time Criterion.

Strategic plans include a 5 year period and can be modified only after 2-3 years have passed since their implementation. Modification is the quantitative change in objectives, but without changing the mission, vision and goals. In some situations, strategic plans can be redone.

3. The presentation criterion requires that the form and content of the strategic plan be in accordance with the legislation in force. Here is the presentation of:

- National plans and national policy documents
- Development plans
- Sectoral and thematic plans
- Regional plans
- Mid-term programs
- Mid-term financial plan
- International commitments

The start-up plan has its main elements such as: status analysis, Participation Security, Mission, Vision, Core Values, at least one goal and any goal from an objective, measurable indicators foreEvery objective, Strategies and Release roughly 5-year costs that all goals and objectives will be achieved.

Their assessment will be based on these two criteria:

Objectives and indicators should be related to two goals.

a. Objective to be related to the purpose

4. Linkage: >>>

b. The performance indicator is linked to the target

Linkage assessment

Purpose	Objective	Linkage assessment
To reduce the gap between revenue and expenditure on Social Security System	Reducing Informal Employment In Relationships.	<i>Linked</i> The objective is related to the purpose
Increasing the quality of education and quality of graduates	Attracting qualitative students at our university	<i>Linked</i> The objective is related to the purpose
Development of municipal services on a continuous basis	Rent benefits from real estate property	<i>Not linked</i> The objective is not related to the purpose

5. Measurement criterion

Public institutions should set specific and measurable indicators to determine the realization of their objectives.

5.1. Measurement assessment

Objective	Performance indicator	Measurement assessment
Reduce informal laborwith 2% in comparison with the previous year	Performance indicator is set	Measurable
Improvement and efficientexploitation of research infrastructureof the university	Number of accredited laboratories	Measurable

Director's words	II- Performance information
High official's words	A- Ground politics, advantages, indicators and activities
Content	B- Purposes and objectives
I- General knowledge	C- Performance objectives
A- Competencies, duties and responsibilities	D- Resources requirements
B- Organizational structure	E- Other
C- Physical resources	III- Anexes
D- Human resources	
E- Other	

4- Linkage

Before assessing the relationship, it is verified whether:

- a. performance targets are based on output and results or not
- b. performance targets of public institutions should be based on output and outcomes.

Link evaluation

Links:

1. Objective to be linked to purpose

2. Performance indicator to be linked to objective

Link of the performance target:

The performance objectives set by the institution should be linked to the performance objectives set out in the strategic plans.

Link of performance indicators

The indicator, should be related to the performance objective.

Assessment of the link (of the target)

Objective	Performance Objective	Linkage assessment
Increase road security	For increasing road security, organization of study visits	<i>Not Linked</i>
Strategic management improvement, human resources, organizational structure and institutional culture	Strategic management development, human resources, organizational structure and institutional culture	<i>Linked</i>

5- Measurement

- Performance objectives should be measurable through performance indicators

Measurement

Performance Objective	Performance indicator	Measurement assessment
10% increase in sport facilities	Comparing to last year	Measurable
Increase of insurance premium	The ratio increase compared to last year	Measurable
Effectivity increase in clearing snow and ice off the roads	The road network will be successful in affording snow and ice	Not measurable

1- Recognition

A criterion that is thought to be related and measurable, it is assessed whether it is defined or not clearly defined.

- Objectives and indicators should be simple and meaningful,
- Is the indicator explained only in one way?
- Is it well formalized by making a written description?

Assessment of target recognition and performance indicators

Objective	Performance indicator	Knowledge assessment
10% increase in sport facilities	Increase rate in comparison with the previous year	<i>Well known</i>

Increase in number of living facilities	Number of finished social buildings	<i>Not well known</i>
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1- Measuring and evaluating the results of the activity

- a. To assess the accuracy of the information they provide for the performance of the institutions.
- b. It is done by evaluating the system that produces the information of performance.

The measurement and evaluation of the conclusions of the activity is carried out and scaled, as follows:

- Level I >>>>>>> Availability of data system
- Level II >>>>>>> Selection of important data systems
- Level III >>>>>>> Evaluation of the selected data system

What is the data system?

- The data system is the process of gathering, analyzing and producing data related to a performance indicator.
- The data source is where the disclosure of information refers to each component of the data entry system.

The availability of the data system can be a way of recording or a performance data recording program.

Evaluation of the data system

Indicator: Number of trainings offered for helpers	Shembulli1: *From what department will be the data collected *Has this data been processed by any employee at the end of the year	Shembulli2: *Is it known what staff will carry out the measurement of the assistantstrained *Has the chosen staff drafted its report
Evaluation	There is no measurement system set that can perform the measurement of the implementation of the target in each degree. There is no data system.	There is no data sistem

Choosing the important data system is very important to determine the related and measurable objectives and indicators, thus identifying the data system.

The evaluation of the data system is carried out through these steps:

Risk Identification >>>> Determining Their Controls and Effectiveness >>>> Security Assessment.

Security assessment is performed to know:

- If the system is well-defined and operates properly or not,
- If there are uncontrolled high-level risks,
- If there are risks that have not been checked, has the evaluation criteria of the activity report been explained and whether the following steps have been taken:

Availability: Publish activity reports

Time: Whether or not these reports are published within the time frame

Presentation: Form and content is or not according to legislation

Consistency: The planning and reporting documents of the objectives and the performance indicators are constant

Verifiability: The ability to verify the published information

Validity / Reason: If there is a difference between planning and realization, and whether these differences are dealt with or not

1- Availability

"Managerial Accountability of the Head" of the FMC Law;

"The heads of public entities in the field of financial management and control have the following main competencies:

- a) drafting policies, adopting and monitoring the objectives of the public entities they run, of strategic and annual plans, including risk management strategy and action plans for achieving the objectives.

2-Time

Institutions	Time needed for drafting the activity report
Central budget	Till the end of February of the coming year
Special budget	
Health Insurance Institute	
Regional	Till the end of March of the coming year
Local government	Till the end of April of the coming year

3-Introduction

In the report is presented:

- General information on the institution,
- Resources used,
- The reasons for the deviations between planning and realization,
- Assets and liabilities,
- The unit or institution that has assisted in carrying out activities,
- Financial Statements and notes,
- Information about internal and external audits,
- Performed activities and performance information related to the strategic plan and performance program.

2- Consistency: The same method is used in presenting and evaluating activities. In case of change of methodology, this change should be reported in the report.

3- Verifiability: Verifiability determines whether the information found in the activity report is or is not the same as the data obtained from the data system.

4- Validity is used to verify the reliability and the need for deviations between planning and realization.

III. Reporting

- How is the report of the audit of performance information prepared?
- What are the reporting processes?
- What should the report contain?

This passes through the following stages:

Begins with: Pre-Reporting Dealing >>> Drafting the project of audit report >>>the opinion of the Audit Institution >>> Final Audit Report.

- Findings should be clear, understandable and accurate. The recommendations should be clear and understandable.
- Findings should be based on sufficient and appropriate evidence

IV. Monitoring

What is monitoring?

- To what extent are the recommendations implemented?
- What is the added value of SAIs?
- What is the added value of the audit?
- Was the performance audit performed by the SAI successfully?

V. Monitoring

- 1.Audit report of information performance
- 2.The relevance of the recommendations
3. Monitoring

As discussed in this article, our aim is to introduce a novelty in the field of external public audit as an institution that serves the good governance of the respective countries. The scope of this kind of new performance audit aiming at standardizing and performing objective performance measurements in the form of indicators stemming from performance information which will soon make a model of auditing highly efficient and acceptable by public and private institutions, so that objectives are achieved cost-effectively, efficiently and effectively of SAIs and public subjects.