

# Why Performance Audit Matters

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# Why Performance Audit Matters

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- There has been a global movement of performance-oriented reform in the public sector for the past few decades.
  - Management by objectives, reinventing the government, performance budgeting, TQM, balanced scorecard, results-oriented management, ...
  - Accountability is a key concern among the public, not only in developed countries but also among developing countries regardless of their ideological beliefs and political systems

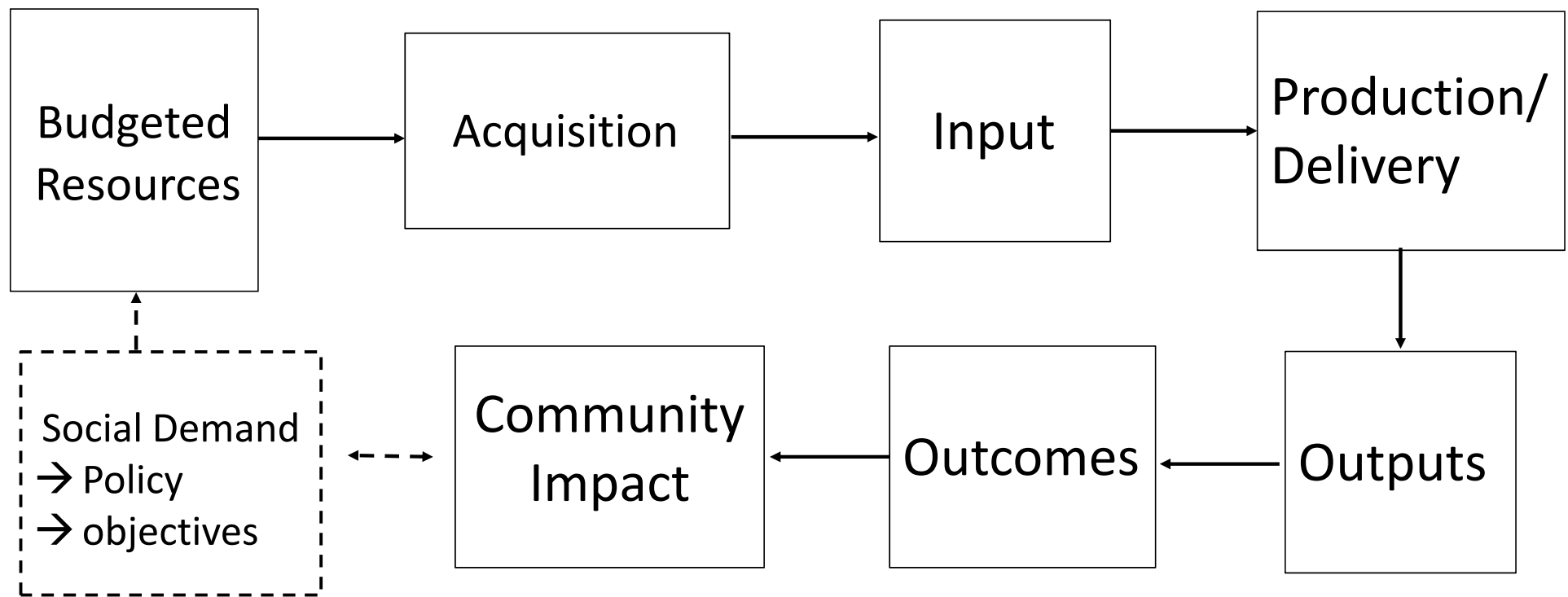
# Why Should We Care About Performance Audit?

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- The fiscal environment also causes many governments to take performance issues more seriously.
  - The public wants more but does not want to pay more
  - There is rising pressure to spend more on healthcare and retirement benefits due to demographic changes in many countries
  - Economic downturn and stagnation hurt revenue growth
  - Many countries have serious deficit and debt problems
    - ➔ Do more with less, do less with less, seek greater value for money, ...

# Service Delivery Model / Logic Model

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# Why Should We Care About Performance Audit?

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- Performance audit provides a mechanism to evaluate government performance through an *independent* and *nonpolitical* perspective and to ensure the *economy, efficiency, effectiveness*, and *accountability* of public spending and usage of resources.

# What is NOT Performance Audit

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- It is NOT financial statement auditing
  - It is NOT just about verifying information
  - It is NOT policymaking
  - It is NOT performance management
  - It is NOT just about statistics
  - It is NOT about fault-finding
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# KU's Certificate on Performance Management

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- Required courses:
  - Performance Management and Governance
  - Innovation and Organizational Change
  - Performance Audit
- 1 Elective (policy analysis, program evaluation, IT management, etc.)

# Most Valuable Experiences from the Performance Audit Course

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- Logical analytical thinking
  - From the audit questions, sub-questions, the definition of performance aspects and criteria, to evidence plan
- Different possibilities of data, evidence, and methodologies
- Different performance aspects



Raaum and Morgan,  
Exhibit 2-8:  
Performance aspects

**Exhibit 2-8**  
**Performance Aspects Pertaining to Inputs, Processes, Outputs, and Outcomes**

Economy	R e s u l t s	Outcomes	<ul style="list-style-type: none"> <li>- customer satisfaction</li> <li>- target population served</li> <li>- mission or goal achievement</li> <li>- cost-benefit &amp; cost-effectiveness</li> <li>- cost recovery or profit</li> <li>- financial viability</li> <li>- readiness</li> </ul>
	E f f i c i e n c y	Outputs	<ul style="list-style-type: none"> <li>- quantity</li> <li>- quality</li> <li>- timeliness</li> <li>- price/cost</li> </ul>
		Production/ Delivery Process	<ul style="list-style-type: none"> <li>- unit cost</li> <li>- productivity</li> </ul>
		Inputs Physical Resources	<ul style="list-style-type: none"> <li>- quantity</li> <li>- quality</li> <li>- timing</li> <li>- price</li> </ul>
		Acquisition Process	<ul style="list-style-type: none"> <li>- unit cost</li> <li>- productivity</li> </ul>
		Money	<ul style="list-style-type: none"> <li>- amount</li> <li>- timing</li> </ul>

Raaum and Morgan,  
 Exhibit 2-7 (p. 21):  
 Performance  
 Components of  
 Performance  
 Accountability

Exhibit 2-7 Expectations of Government Managers for Performance Components of Performance Accountability			
Mission Performance Goals			
Input Economy	Process Efficiency	Output Effectiveness	Outcome Effectiveness
<ul style="list-style-type: none"> <li>• Financial</li> <li>• Amount</li> <li>• Timing</li> <li>• Physical</li> <li>• Quantity</li> <li>• Quality</li> <li>• Timing</li> <li>• Price</li> </ul>	<ul style="list-style-type: none"> <li>• Productivity</li> <li>• Unit costs</li> <li>• Operating ratios</li> </ul>	<ul style="list-style-type: none"> <li>• Quantity</li> <li>• Quality</li> <li>• Products</li> <li>• Delivery</li> <li>• Timeliness</li> <li>• Price/Cost</li> </ul>	<ul style="list-style-type: none"> <li>• Mission and outcome goal achievement</li> <li>• Financial viability</li> <li>• Cost-benefit</li> <li>• Cost-effectiveness</li> <li>• Revenue</li> <li>• Readiness</li> </ul>
Crosscutting Performance Goals			
» ----- internal – Customer and Stakeholder Satisfaction – external ----- «			
» ----- laws – Compliance – regulations ----- «			
» ----- resources – Safeguarding – infrastructure ----- «			
» ----- availability – Information – reliability, validity ----- «			
» ----- Continuous Improvement ----- «			
» ----- ethics – Underlying Values – equity ----- «			

Source: Public Sector Governance and Accountability Series, “Performance Accountability and Combating Corruption,” p. 328. The World Bank, 2007.

# Most Valuable Experiences from the Performance Audit Course

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- Critical thinking of auditors
  - Alex Scharaschkin (2011) suggests that performance auditors need to use a *defeasible argumentation system* and constantly think about this question --- “What new evidence will refute my argument or conclusion here?”
  - Auditors are almost like lawyers!

# Most Valuable Experiences from the Performance Audit Course

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- Don't be afraid to ask questions or question the assumptions
  - “What is your evidence for ...”
  - “How do you know?”
  - “What if ....”