

**PEMPAL Internal Audit Community of Practice (IACOP)**  
***Audit in Practice and Central Harmonisation Unit Challenges Working Groups Meeting***  
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## **Performance Audits: Challenges and best practices**

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## MAIN TOPICS

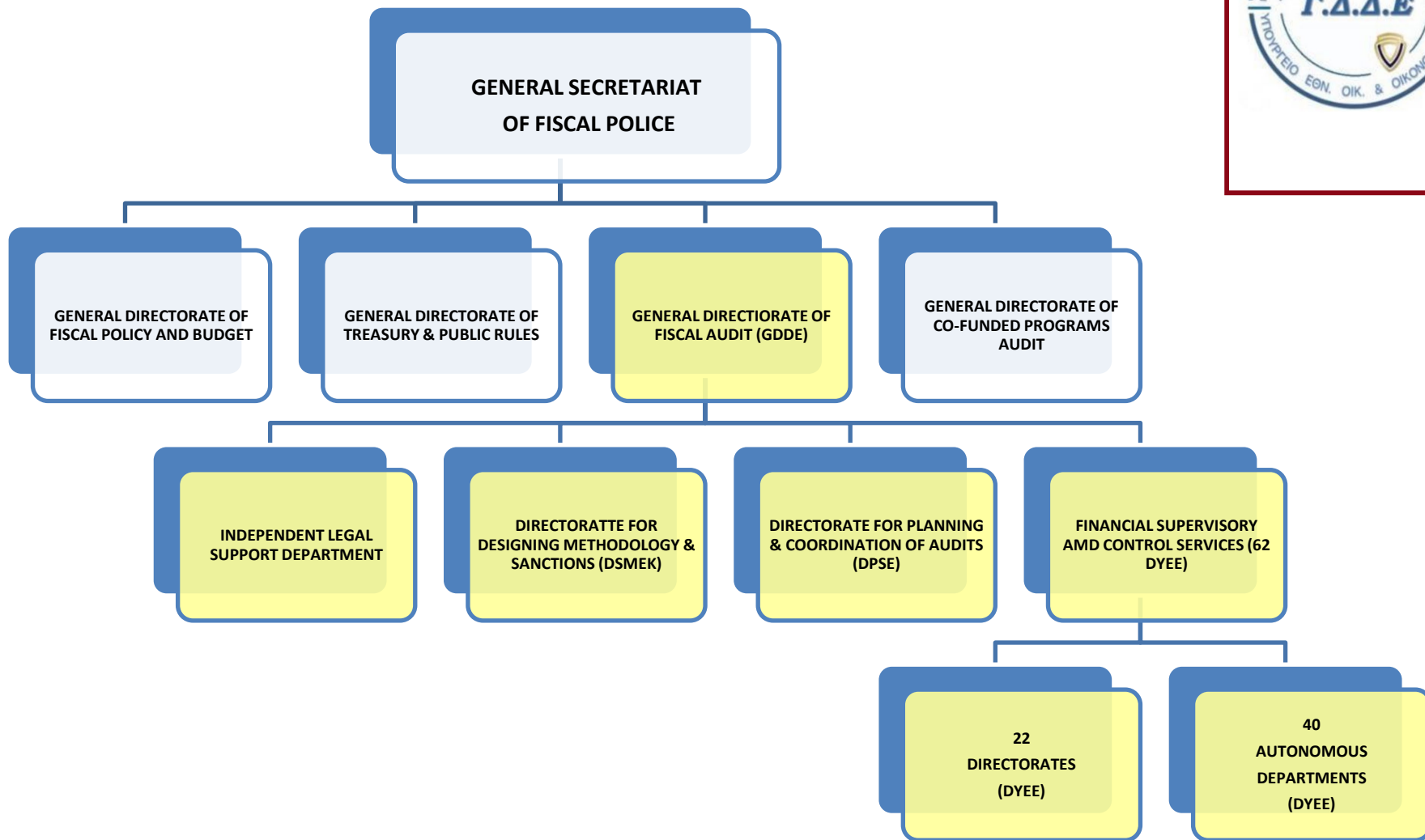
- 01** WHO WE ARE AND OUR MISSION
- 02** PERFORMANCE AUDITS AND STATE OF PLAY
- 03** CRITICAL FINANCIAL ELEMENTS IN IMPLEMENTING PERFORMANCE AUDITS
- 04** CHALLENGES OF PERFORMANCE AUDITS
- 05** RISK ASSESSMENT OF CRITICAL ISSUES
- 06** PRINCIPAL ISSUES FOR SUCCESSFUL PERFORMANCE AUDITS



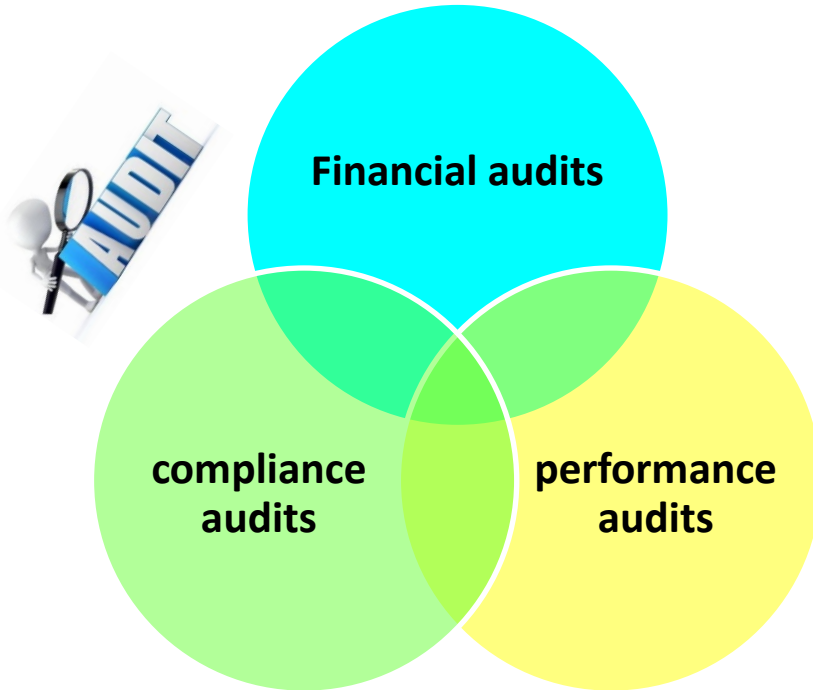
# THE ROLE AND MISSION OF THE GENERAL DIRECTORATE OF FINANCIAL AUDITS

The Guardian of Sound Financial Management

# The organigram of our General Directorate



# The typology of our audits



Traditional forms:

- Financial audits
- Compliance audits



Completeness, accuracy, and reliability of financial statements (and fiscal reports)



Legality and regularity of underlying transactions (revenues and expenditures)

State of play for performance audits today:

**performance audits,  
¼ of our total audits**

# The passage from Compliance Audits to Performance Audits



# Incorporating performance audits in our legislation

What is performance auditing?

"The independent, objective, and reliable examination of the extent to which government structures, systems, operations, programs, activities, or organizations function in accordance with the principles of economy, efficiency, and effectiveness, and the extent to which there is room for improvement." (ISSAI 300)



# The typology of performance audits carried out by the Ministry of Finance

**Audits on financial transactions**

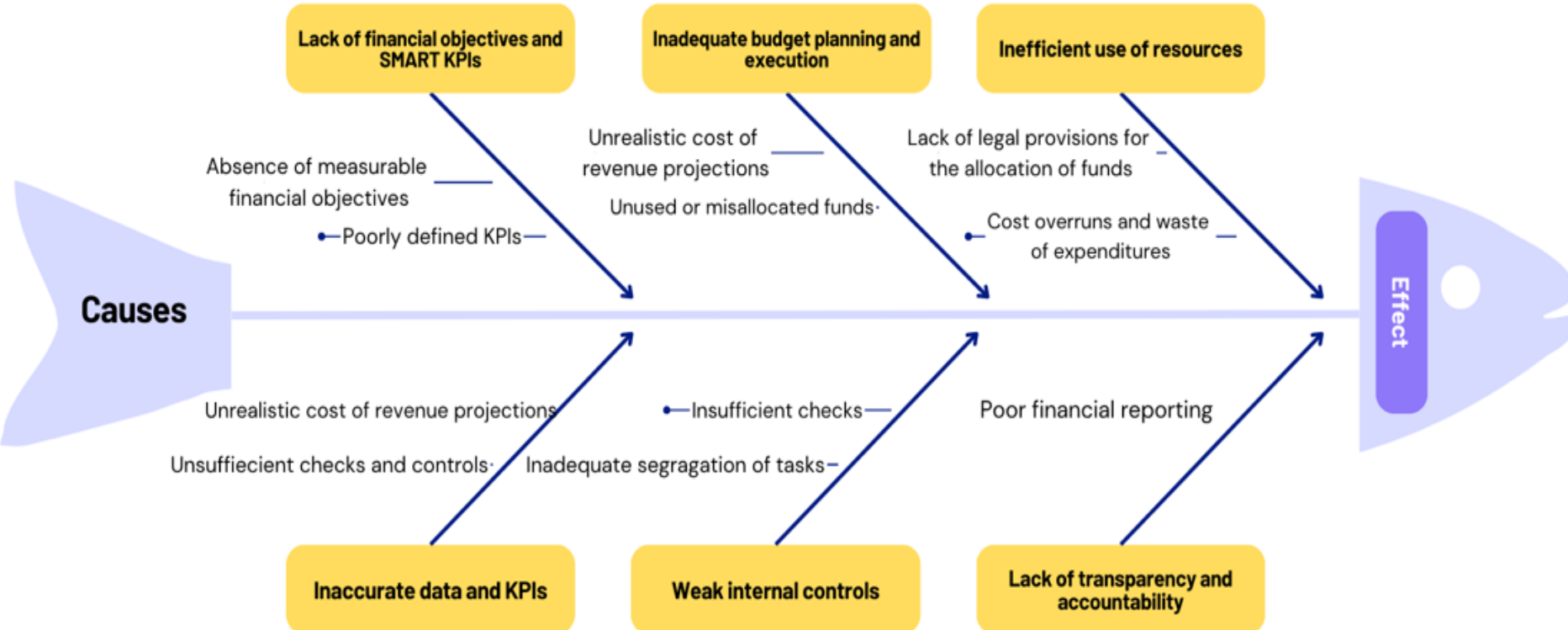
Direct measurement of inputs, outputs, outcomes, and impact – Use and assessment of performance indicators KPIs

**Audits on the System of controls**

Assessment of the adequacy and effectiveness of the internal control systems of public entities to provide assurance



# Critical Financial Elements identified in Performance Audits



# Challenges of performance audits

- Insufficient data availability
- Lack of goal-setting and/or performance measurement
- Difficulty in identifying suitable audit criteria and benchmarks for comparisons (benchmarking)
- Difficulties to fully standardize methodology and questionnaires
- Lack of experience
- Need for a wide range of skills
- Risk of exceeding the boundary between audit and policy evaluation

## **Requirements:**

- Greater flexibility and creativity, agile auditing
- Broad scope for exercising critical thinking



# Risk Assessment Matrix

Issue	Impact (1–5)	Frequency (1–5)	Risk Level (Impact x Frequency)	Priority
Budget Execution Failures	5	5	25	Immediate action required
Weak Internal Controls	5	4	20	Strengthen mechanisms
Undefined KPIs	4	4	16	High priority for redesign
Poor Data Quality	4	4	16	Upgrade systems
Value for Money Absence	4	4	16	Integrate performance audits
Lack of Transparency	3	4	12	Enhance reporting structure
Regulatory Non-compliance	5	3	15	Legal risk mitigation needed

# Example

## Assessing project efficiency

Project Efficiency =  
Actual Audit Project  
Hours ÷ Budgeted  
Audit Project Hours

Interpretation:


**>1:** Project exceeded budgeted hours – indicates inefficiency or poor planning.

**=1:** Project completed exactly as planned – indicates optimal efficiency.

**<1:** Project completed under budget – allows capacity for extra work or savings.

**Example:** If a project was budgeted for 100 hours but took 120 hours, efficiency = 1.2 (inefficient).



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# Principal issues for successful Performance Audits

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- **Use of Performance-Based Budgeting (PBB)**
  - **Assessment of HR efficiency**
  - **Remuneration and automation of payroll systems**
  - **Monitoring of expenditure in real-time linked to KPIs**
  - **Transparent reporting to legislative bodies and to the public**

# Good Practices of Performance Audit within Hellenic Ministry of Finance

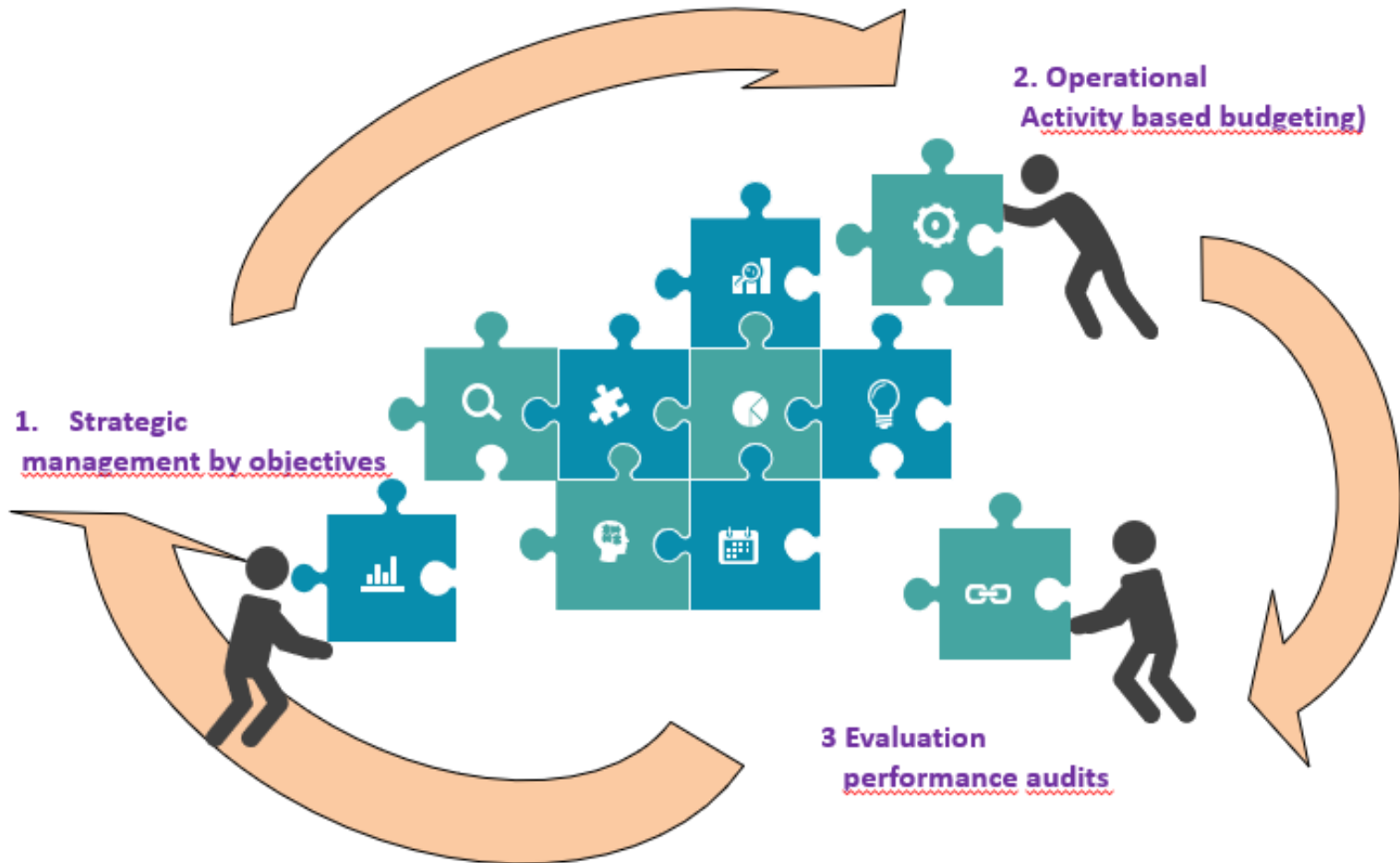
- Design **performance-based budgeting** with measurable indicators.
- Digitalise and **interconnect payroll and expenditure systems**.
- Registry of commitments and payments
- Establishment of **independent internal audit units** across key ministries and public bodies.
- Assessment of Risks Management

# Performance Audit Best Practices Greek Public Administration

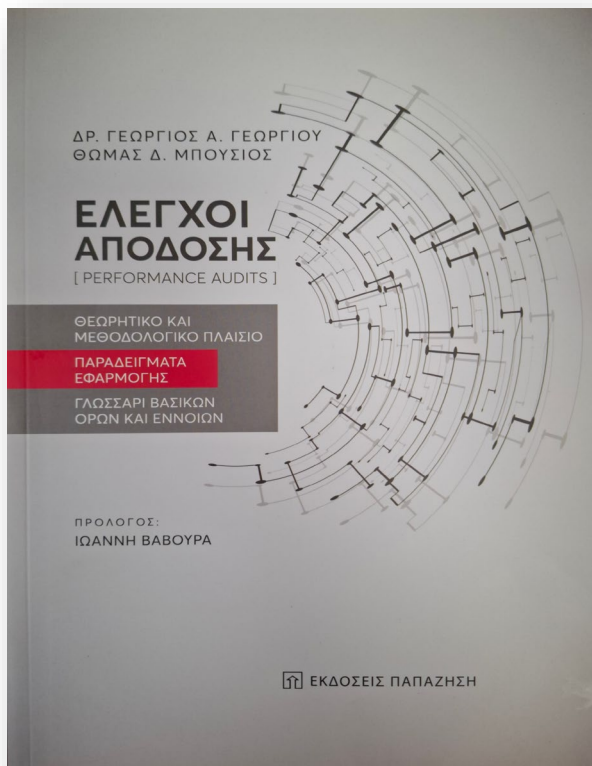


# The dynamism of performane audit/evaluation

## The three important components of an effective governance system

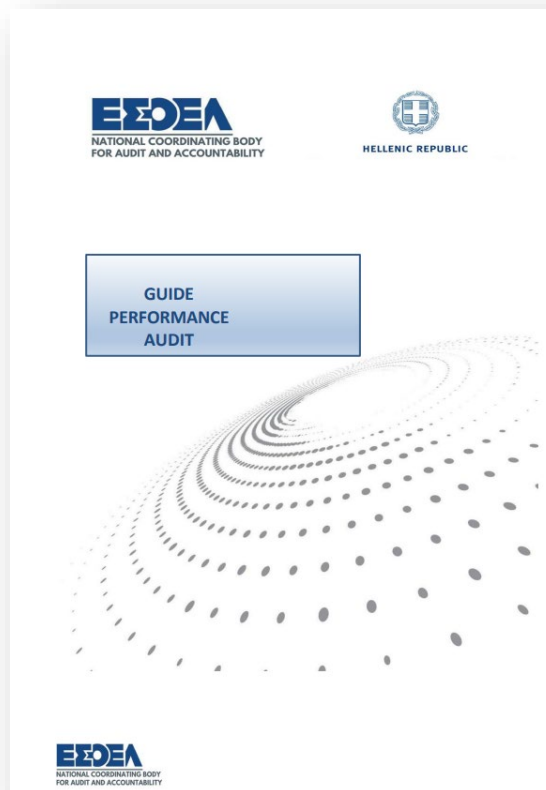


# Key guides on performance audits in the Greek public sector



## ***Performance Audits: Theoretical Framework and Practical Examples***

*By Dr. Georgios A. Georgiou & Thomas D. Bousios (Papazisis Publications), 2021*



## **Performance Audit Guide**

*Issued by the Hellenic National Coordinating Committee of Audits, 2022 Coordination of the team of experts by G. Georgiou*

- Define the conceptual and **methodological framework** for **conducting performance audits** in public administration.
- Present **applied examples** and **good practices** to assess **efficiency, effectiveness, and economy**.
- Provide **key terminology** (glossary) and **practical guidance** for **auditors** and public sector professionals.

A hand is shown holding a wooden block with the word "THANK" written on it. The block is positioned at the top of a stack of five wooden blocks. The background is a solid yellow color. The text is in a bold, black, sans-serif font.

**THANK**

**YOU**

**FOR**

**YOUR**

**ATTENTION**