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## Performance Audit Effectiveness Indicators: Evidence from Poland

### Abstract

*Objective:* Performance audits, conducted by both internal and external auditors in public administration, play a crucial role in assessing effectiveness. This research focuses on the experiences of the Supreme Audit Institution (SAI) in Poland, delving into the effects of performance audits. Previous studies from selected developed countries shed light on performance audit impact, categorised as instrumental, conceptual, interactive, and political-legitimising. However, the generalisability of these findings is constrained by limited research, varying institutional and social contexts, and country-specific factors. To address these gaps, the authors of his study aim to expand knowledge on performance audit effectiveness indicators.

*Research Design & Methods:* The research combines a literature review, analytical induction through interviews with SAI executives, and analysis of SAI activity reports from 2019–2021.

*Findings:* The study reveals diverse interpretations of performance audit effectiveness among SAI delegation directors, encompassing process, results, and effects. Additionally, the research identifies indicators relevant to assessing performance auditing effectiveness in the Polish context. It emphasises the need for context-specific evaluations due to differing institutional and social conditions across countries.

*Implications/Recommendations:* While acknowledging limitations, including the small sample size, this pilot study paves the way for future research to validate its hypotheses, explore factors influencing performance audit effectiveness, and compare practices across countries. Ultimately, it aims to enhance the effectiveness of performance audits in public administration.

*Contribution / Value Added:* This research contributes to academia and practice by offering comprehensive performance audit effectiveness indicators. It introduces a novel indicator related to reporting infringements in public finance law and discipline.

*Article classification:* research article

*Keywords:* performance audit, effectiveness, public administration

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## Introduction

Effectiveness is a term often used in the context of public administration. It refers to the so-called new public management, which consists of transitioning from administration based on rigid procedures and political influences to management based on market mechanisms and the economic evaluation of efficiency and effectiveness (Diefenbach, 2009; Stroińska, 2020). However, it is not always possible to specify what is meant precisely by effectiveness. How should it manifest itself? What proves that a given activity is effective?

*The Oxford Dictionary of English* defines effectiveness as the degree to which something successfully produces a desired result (Stevenson, 2010). The adjective ‘effective’ and the noun ‘effectiveness’ refer to acting (or ways of acting). As praxeology indicates, effective acting leads to an assumed and planned result, i.e. before the acting started, an aim had been defined (Makowski, 2016). Acting can be defined as effective when an aim is fully achieved or is achieved to an extent that satisfies the doer, or when it brings the doer closer to achieving it in the future (Zieleniewski, 1965, p. 242). This definition demonstrates that effectiveness can be gradable. Therefore, an earlier specification of goals is necessary to evaluate the effectiveness of actions.

Internal auditors employed in entities in the public administration sector and external auditors employed by an institution independent of the audited entity can conduct performance audits. Poland has two audit institutions: the Supreme Audit Institution (SAI) and Regional Audit Institutions (RAI). The study included all types of audit institutions and auditors, but considering the limitations on the article’s length, only the SAI experiences are presented here.

In the context of a performance audit, the term effectiveness refers to the auditing process, whose indirect effects will be called products, and its final effects – impacts. Studies conducted in several developed countries have shown that a performance audit’s impact is instrumental, conceptual, interactive, and political-legitimizing (Etverk, 2002; Morin, 2008; Van Der Meer, 1999)<sup>1</sup>. However, due to many limitations, the results of these studies cannot be generalised to all the countries in the world.

Firstly, a limited amount of research has been conducted in this area, with most of it being carried out over ten years ago (e.g. Pollitt et al., 1999; Van Loocke & Put, 2011; Torres et al., 2016)<sup>2</sup>.

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<sup>1</sup> Etverk (2002) conducted a survey and interviews of auditors and auditees based on three reports from 2001. The impact is defined in terms of the auditee’s perception of the auditor (satisfaction, collaboration, auditors’ credibility), the auditee’s perception of the impact on the audited entity (added value, acceptance of recommendations), and in terms of contribution to the public debate (within the entity, in parliament, in the press). Morin (2008) surveyed 99 (top and medium) managers and professionals from administrations audited by the Quebec Provincial Audit Office. The study covered audits implemented between 1995–2002. The impact was operationalised in 10 indicators (audit added value, relevance of the recommendation, action taken following the audit, and personal effects). Van Der Meer (1999) studied two reports from the Netherlands dating back to 1987 and 1988. The author saw the impact as the genesis of a learning effect.

<sup>2</sup> Pollitt et al. (1999) studied the work of five national audit offices – France, Finland, the Netherlands, Sweden, and the UK. The findings reveal that performance audits have led to changes in government activities. The responses to audit report recommendations often resulted in substantial public fund savings. Van Loocke and Put (2011) conducted a literature review on the impact of performance auditing. Based on a conceptual framework, the authors reviewed 14 empirical studies and discussed the information on impact derived from the performance measurement systems of Supreme Audit Institutions. Torres, Yetano, and Pina (2016) assessed the impact of the performance audits carried out by EU Supreme and Regional Audit Institutions based on a survey conducted in 2012. They analysed whether the recommendations of audit reports were implemented in practice.

Secondly, the institutional and social conditions of performance auditing differ according to country (i.e. the authority of SAIs, parliamentary systems, media status, and the role of civil society) (see, e.g., Weihrich, 2018)<sup>3</sup>. Prior studies were not global but related only to certain countries, such as Australia, Estonia, Germany, the Netherlands, Israel, Canada, Sweden, the USA, and the United Kingdom.

Thirdly, according to standards (INTOSAI, 2022, p. 10), the objectives of performance auditing can include contributing to holding to account those responsible for managing public funds and transparency in public life. Performance audits achieve such objectives when they provide new information, analyses, and insight into the audited area and, in relevant cases, indicate how improvements can be made. The second paragraph of the Act on the Supreme Audit Office of 23<sup>rd</sup> December, 1994 (Journal of Laws 2022 item 623) and the institution's motto (NIK, 2022a) state that the SAI should focus on public accountability more than consulting. In the literature on policy evaluation, considerably less attention is paid to the former objective. The only exception is the research of Bemelmans-Videc, Lonsdale, and Perrin (2007)<sup>4</sup>. Therefore, a hypothesis can be formulated that the concept of impacts suggested by Van Looke & Put (2011, p. 190) only considers some of the dimensions in which performance auditing should be evaluated.

This study aims to broaden knowledge on performance audit effectiveness indicators. For research purposes, two research questions were also formulated. What does it mean when a performance audit is described as effective? Have the performance audits conducted by the SAI been effective? The answers to these questions are presented based on the experiences of five members of SAI management collected in 2020.

For the needs of the article, the literature was reviewed, analytic induction based on partly structured interviews was used, and the contents of SAI activity reports in the years 2019–2021 were analysed.

The rest of the article is organised as follows: in the next section, the meaning of performance auditing effectiveness is presented in the light of the literature, followed by a description of the study's methodology and its results. The article ends with conclusions and directions for further research.

## Literature review

A performance audit can be understood as a systematic and objective evaluation of the performance of an organisation, its programme implementation, and its functions and activities conducted by an independent auditor, who communicates their observations, conclusions, and recommendations to a person or a group of people who, according to applicable law, are responsible for the supervision of the organisation or taking corrective actions (Ciak & Bednarek, 2021). According to INTOSAI (2022, p. 12) Auditing Standards for SAIs, performance audits

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<sup>3</sup> Weihrich's (2018) study comprises a general discussion of the goals and boundaries of performance auditing with an environmental perspective based on a literature study. The text also describes the theoretical, legal, and methodological background of performance audits in Germany. Findings concerning the *status quo* of performance auditing in Germany are based on an analysis of audits conducted by public audit institutions. The findings were compared with findings from other current international studies.

<sup>4</sup> Bemelmans-Videc, Lonsdale, and Perrin (2007) examine evaluation and audit as critical elements in democratic accountability processes. Twelve authors from seven countries present detailed case studies and synthesis of empirical evidence.

often include an analysis of the conditions needed to ensure that the rules are followed relating to the efficient acquisition and use of resources as well as the effectiveness of operations. Therefore, the primary objective of performance auditing is contributing to more effective acquisition and use of funds and more effective activities in the audited entities by influencing their organisational culture, procedures, and practices.

Performance auditing has developed over several decades in many parts of the world to assess various aspects of the functioning of public sector organisations, including the use of funds entrusted to them. In the 1970s and 1980s, it was practised in democratic countries in Europe, Australia, Asia, and North America at the national level by the Supreme Audit Institutions and, to varying degrees, at the regional and local levels (Lonsdale, 2011, p. 4). The SAIs sometimes carried it out. For example, in Norway, performance audits were carried out by internal auditors, and in Finland – by external auditors – both public and private (Pollitt et al., 1999). The scope of this audit initially included only the assessment of how public funds were spent in accordance with their intended purpose. However, over time, it also included the assessment of the effectiveness of public spending and, even more challenging, assessing whether public spending contributed to achieving good results (Reichborn-Kjennerud, 2015).

Nobles, Brown, Ferris, and Fountain (1993) claim that a performance audit is a systematic and objective assessment of an organisation's functioning, programme implementation, function, or activity by an independent auditor. The auditor forwards his/her observations, conclusions, and recommendations to the person or group of persons who, in accordance with applicable law, are responsible for supervision or taking corrective actions. The authors of this definition recognised that a performance audit differs from an assessment, review, or audit in three respects. First, auditors should have neither organisational nor personal relationships with the auditees. Secondly, the primary purpose of an audit must be to hold auditees accountable for their obligations, not just to inform. Third, the audit results must be reported to the third party, who, under applicable law, must oversee the programme or implementing agency in question as well as initiate corrective actions.

J. Lonsdale (2011, p. 14) suggests that a performance audit is one of the many forms of policy analysis and evaluation developed in the last 30 years. Considering that the concept of performance auditing has yet to be defined, the impact of policy evaluation has been taken as the starting point for its formulation. The information resulting from auditing and intended for audit stakeholders can be called audit products (Pollitt et al., 1999, p. 149). Audit reports constitute audit products. SAI specifies them as post-audit statements and information on audit results. The former concerns only the audited entity, while the latter constitutes a synthetic summary of individual audits conducted in different entities. They present an evaluation of the auditee that includes essential findings and conclusions resulting from planned and ad-hoc audits (NIK, 2022b, pp. 148–150). Different types of direct and indirect wanted and unwanted effects of policy evaluation are called influence (Van Looke & Put, 2011, p. 176). Weiss (1979) as well as Nutley and Webb (2000) concluded that policy evaluation could impact stakeholders in instrumental, conceptual, interactive, political-legitimising, and tactical ways.

The instrumental use of the results of policy evaluation is understood as a situation in which, as a result of the evaluation, knowledge is created that is used for pursuing a policy. The conceptual impact of evaluation lies in knowledge gradually permeating pursued policy through different channels. For instance, views change slowly and theories are modified. The concept of the interactive influence of policy evaluation assumes that evaluators constitute one of many

groups of stakeholders in the decision-making process. Using evaluation in policy is an element of a complex decision-making process in which other sources of information, including the decision-makers' existing perceptions and prejudices, are also considered. The political-legitimising use of policy evaluation results assumes that knowledge is an asset in a political debate. For instance, the opposition in parliament can use an evaluation report to assess a policy's effectiveness. The tactical application of policy evaluation results lies in knowledge being used to influence decision-making. For example, political decisions can be postponed till auditors conduct additional evaluations.

## Research methodology

This study aims to broaden knowledge on performance audit effectiveness indicators. For research purposes, two research questions were formulated:

1. What does it mean when a performance audit is described as effective?
2. Have the performance audits conducted by the SAI been effective?

The empirical research consisted of analytical induction based on the opinions of selected SAI executives collected through interviews, and a comparison between them and the content of SAI activity reports in 2019–2021. The used research strategy systematically develops causal explanations of types of phenomena. The method involves collecting data until no more cases are inconsistent with the hypothesised answer to the research question (Bryman & Bell, 2011, p. 575; Sagan, 2007).

The selection of the respondents for the study was purposeful. The researchers intended to identify SAI delegations with the most significant experience in conducting performance audits. In the search engine for information on audit results and post-audit reports available on the SAI website, the authors searched for reports that included the words 'efficiency', 'economy', or 'effectiveness' in their titles. Then, based on the analysis of the reports, the SAI delegations that had produced these documents were identified. As a result, four out of 16 SAI delegations and one out of 14 departments of the head office of the SAI took part in the research. One director from each department or delegation was invited to the interview, all of whom agreed. Ultimately, there were five respondents, as in one of the delegations, two persons (the director and his deputy) participated in the interview.

The research tool was a partly-structured interview questionnaire with four open questions. This form of research was chosen in order to enable the respondents to share their experiences and views on indicators and factors determining the effectiveness of performance audits. The open questions were designed to explore the provided answers, especially those which were original and surprising.

The interviews were conducted remotely using MS Teams between the 10<sup>th</sup> and 30<sup>th</sup> of November, 2020, and the average duration was 40 minutes. The shortest interview lasted 32 minutes, and the longest one – 57 minutes. Both researchers participated in all interviews. Each interview was recorded, and transcriptions were made. After the transcription, the content of the interviews was subject to authorisation. After the research content was obtained, identification, coding, and selection with data analysis were conducted using the NVivo software.

Since the respondents wished to remain anonymous study group members, the names and surnames were coded as [Rx], where x is a number assigned to a given respondent. The assigned respondent number is used in all statements in the paper.

## Results and discussion

### *Performance audit effectiveness indicators as perceived by SAI directors*

The complexity of the concept of performance audit effectiveness described in point 2 is also confirmed by the answers given by SAI directors to the question: 'What does it mean when a performance audit is described as effective?'. Based on the respondents' individual experiences and considerations, the answers manifest a broad spectrum of different approaches and understandings of this concept. In order to illustrate this, Table 1 includes the responses of the SAI directors given in the course of the conducted interviews.

The analysis of the statements in Table 1 shows that respondents generally perceived three basic dimensions of performance audit effectiveness. Based on their experience, they pointed out that the effectiveness of a performance audit should refer to its impact, processes, and results. The impact should be instrumental, conceptual, and interactive. Most often, a performance audit is perceived as effective when the audited entities have accepted and implemented the recommendations, and as a consequence, expected changes in their performance can be observed. Interestingly, the indicators of the effectiveness of performance auditing, consultations, and negotiations between stakeholders, as well as the process of learning, increasing knowledge, and changing the way of thinking were much less frequently noted among the SAI directors taking part in the study. One of the respondents stated that a performance audit might result in reporting a breach of the law or public finance discipline to the relevant authorities.

The above-cited definitions of effective performance audit identify the objective as the intended outcome of the audit process, which is manifested when audit results are communicated to auditees. However, a significant proportion of the respondents relate the effectiveness of a performance audit to its process or products. An effective audit process should include the adequate construction of the audit, i.e. the right choice of the audit topic and determination of the appropriate objectives, criteria, subject scope, and audit methods. The respondents also noted the audit's method and credible sources of findings. Some respondents emphasised that the audit results express a performance audit's effectiveness. In particular, they were seen as providing answers to the audit programme questions and identifying areas for improvement, if any.

Before presenting the following sample of the participants' views on the effectiveness of performance audits, it is worth adding that based on the respondents' statements, the fundamental indicators of performance audit effectiveness described above are broadly consistent with the literature on the impact of policy evaluation and performance auditing. However, it is worth noting that the respondents' perception of the effectiveness of performance audits differs from the literature in a few respects. The respondents perceive audit processes and audit results as indicators of performance audit effectiveness. In the literature, they are considered factors determining the performance audit's effectiveness. It is also worth noting that the respondents overlooked the political and legitimising impact and the impact on other knowledge generators. These opinions are inconsistent with the 2019 report on the activities of the SAI, which showed the results of the SAI's work in cooperation with the Lower and Upper Houses of Parliament and the scientific journal *Kontrola Państwowa* (NIK, 2020, p. 4). In addition, studies in other countries have shown that media and parliamentary attention contribute significantly to the effectiveness of performance audits. The respondents did not mention such indicators of performance audit effectiveness as anticipating audit results, tactical influence, or the side effects of the audit, which

**Table 1.** Performance audit effectiveness indicators – responses of SAI directors in Poland in 2020

Type of indicator	Definition of effective performance audit
Method of constructing the audit	[R1] ,Firstly, it is the way of constructing the audit, that is, whether we will find the topic we want to audit, whether the audit assumptions, that is the selected goal, objectives, criteria and audit methodology are relevant to the topic. This (audit plan) is the first indicator of effectiveness'. [R2] ,The effectiveness of the performance audit is demonstrated by defining the public task being audited (...) when there is a performance audit of a given program – then we comprehend a wider reality'.
Method of conducting the audit	[R1] ,Another issue is how the audit is conducted, that is, the whole process'. [R2] ,If we conduct performance auditing properly, it is effective within our organisation'.
Reliable sources of findings	[R2] ,A proper analysis of the findings concerning the possibility of formulating conclusions to correct existing unwanted states also manifests effectiveness'.
Audit results	[R4] ,When is it effective? When we achieve the assumed aims for the audit recipients, the information on whether the auditees acted economically and effectively is the most important. Moreover, if we can answer this question indicating areas that need improvement, there is a certain reservoir of improvements, and then we conclude that the performance audit is effective'. [R5] ,Generally, effectiveness is the implementation of the objectives of the audit, and these objectives are formulated as the main, detailed questions in the work engagement program. Effectiveness is the formulation of audit results'.
Acceptance of recommendations	[R1] ,The third thing is the effects of the audit after the results are published (...) whether the auditee agrees and implements the post-audit recommendations or not, and exercises the right to appeal (as an objection) within the adversarial system of the audit process'.
Implementation of recommendations	[R2] ,Effectiveness is measured to some degree by the issue of implementing post-audit recommendations'. [R3] ,Performance auditing is effective if (...) the auditee has taken action on our recommendations'. [R4] 'The measure of effectiveness is based on implementing all the recommendations included in post-audit statements or later in more systemic, general ones included in the general audit document called information of audit results.'
Changes in audited entities observed directly after the issuance of recommendations by auditors and side effects of auditing	[R2] 'the improvement in the effect of implemented recommendations in the activity of audited entities.' [R3] '(...) activities which brought the effect expected by us.' [R4] 'We believe it is effective when the change we expect happens.'
Consultations and negotiations between stakeholders	[R1] '(...) confrontation as early as during a panel with experts organised before the audit, when all main entities met and listened to their opinions and then a confrontation with the results of the audit showed that contrary to what the entities claimed, the system did not work.' [R5] 'Stakeholders have this possibility and they usually use (...) the right for the position for information on the audit results. The position of ministers (...) constituted an argument with the audit's findings (...). The final say belongs to the Chairman of the Supreme Audit Institution, who can include his opinion.'
Learning process, growth of knowledge, and change in the way of thinking	[R2] 'If we show how to implement a program from the given area properly because they are mostly activities fitting into some European, social, infrastructural axes, apart from a given auditee, others can also benefit from good practices and good examples.'
Reporting of infringements in the public finance law and discipline	[R1] 'There are audit models whose findings justify referrals to law enforcement bodies and prosecutors for the public finance discipline. We can see it as an effect because something worked.'

Source: own elaboration.

is not a big surprise; however, there is also a lack of substantial empirical evidence in the literature on the occurrence of this form of influence in other countries (Van Looke & Put 2011, p. 189). It is worth emphasising, however, that while they may not be noticed, this does not mean that these effects of performance audits do not occur in the Polish practice. The analysis of the responses of the SAI directors to the question on the effectiveness of performance audits conducted by their SAI delegations showed that all of the effects described in the literature occurred, with one exception. The respondents did not see the impact of performance audit results on other knowledge generators.

There may be several reasons for such a narrow definition of performance audit effectiveness. Firstly, the respondents may have mentioned only those indicators that are currently the subject of measurement. The SAI activity report for 2019 does not contain information on the tactical impact of the audit and the audit's side effects. The audit's anticipatory role is indicated not while it is in progress but after completion. Another explanation could be that the respondents mentioned only those indicators from the perspective of which their delegations carry out effective audits. However, as it stands, this is a topic for another study.

The collected evidence also allows the perspective of perceiving the effectiveness of the performance audit to be broadened. It is worth emphasising the thread in one respondent's statement [R1] concerning reporting violations of the law and public finance discipline. This idea is consistent with the statement of respondent R2, who suggested that even when audits are aimed at assessing the purposefulness and efficiency of operations, the legality of activities is also checked: *'Performance auditing is effective because it does not focus separately on legality, efficiency or purposefulness, but more on combining these criteria (...)'*. A similar claim was made by respondent R3, who said:

*'performance auditing requires, from its assumptions, the establishment of a certain pattern or reference point to which we refer our findings. If such a pattern does not result from any regulations, then at best, we can adopt one; for example, if we audit the implementation of an investment, let us say we can look for such reference points, for example, in the contract or schedules'.*

These statements suggest that when setting audit criteria, SAI auditors try to verify whether the level of effectiveness of activities is specified in any legal regulation or contract. Supposing it can be demonstrated that the auditees, acting ineffectively, violate the law or public finance discipline. In that case, the recommendations are more measurable and indisputable than those indicating the possibility of improving operation efficiency.

Potential notification of law enforcement agencies due to a performance audit shows that ensuring compliance with prescribed rules, procedures, and codes of conduct is as important as the economy, efficiency, effectiveness, and equity are. Waele and Polzer's (2021) framework for measuring performance in hybrid public sector organisations is regarded as the context in which they operate, which is part of the „4E model”.

This rule may also be related to the SAI's motto: *'Whoever collects a public penny for their use should justify the expenditure'* (NIK, 2022a). This role of a performance audit is also confirmed by the report on the activities of the SAI, which states that *'the basic task of the SAI is to provide parliamentarians and the public with objective knowledge about the functioning of the state and the implementation of public tasks'* (NIK, 2020, p. 150). Similarly to the United Kingdom, the primary goal of the SAI is to hold to account people responsible for the management of funds



entrusted to them (Lonsdale & Bechberger, 2011, p. 268<sup>5</sup>). However, for some (Lehtonen, 2005<sup>6</sup>), reconciling these two audit objectives may be problematic, hence the conclusion that in Poland, as in other countries (Van Looke & Put 2011, p. 203), there is also a need to understand better how these two roles of the SAI affect the effectiveness of performance audits.

### *The effectiveness of performance audits as perceived by SAI directors*

An exciting addition to the perception of performance audit effectiveness indicators is the presentation of the respondents' opinions on their assessment as members of the SAI delegations in 2020. These make it possible to explore the performance audit in practice, seen through the eyes of the study participants. Despite the risk of the subjectivity of these opinions, an attempt to build a picture of the activities of contemporary SAI auditors makes it possible to learn what auditors are currently facing. The value of this sample is also determined by the fact that the data was collected through interviews, owing to which a broad spectrum of views and opinions was obtained. Furthermore, despite the specific threat of the respondents' lack of objectivity, the data allows us to peek behind the curtain behind which the directors of SAI departments and delegations usually remain.

The analysis of the respondents' opinions revealed that assessing performance audit effectiveness is problematic, because it depends on the adopted effectiveness indicator. In general, the respondents assessed that performance audits are effective. However, the picture is mixed, as some audits are effective, while others are not at all or only partially.

The respondents generally agreed that performance audits are effective when looking through the prism of achieving the audit results intended by the auditors. This conclusion is confirmed by the statement of respondent R4, who states that *'inspections are effective because they end with post-audit reports'*.

The acceptance of the findings of a performance audit is taken as an indicator of its effectiveness. In this case, performance audits are only sometimes effective, because the auditees sometimes question the auditors' assessments and raise their reservations. As respondent R3 notes, *'the answer is often: we agree with the SAI's conclusions, and we will take all necessary actions to implement them.'* However, respondent R2 adds that *'when (the auditees) do not agree (with the SAI's conclusions) – the appeal procedure begins. Each entity manager has the right to raise objections to the findings, assessments and conclusions. Most often, objections are raised to the assessments of the audited matter, rarely to the conclusions and the actual state of affairs. (...) If there is an objection to the conclusion, it is an objection to the assessment. There are usually no objections to the facts.'*

From the point of view of implementing the recommendations, performance audits in entities audited by the SAI are mainly effective. The analysis of the report's content on the SAI's activities

<sup>5</sup> Lonsdale & Bechberger (2011) examined how performance auditors seek to reconcile the demands of helping the government learn their role in an accountability setting in the context of the specific case of the National Audit Office in the United Kingdom. The authors found that the advice and guidance that NAO generates is a spin-off from its primary accountability role. The learning role will always be secondary.

<sup>6</sup> Lehtonen (2005) examined to what extent the OECD Environmental Performance Review (EPR) programme has succeeded in combining the objectives of learning and accountability within a single evaluation framework. The EPRs have been relatively successful in avoiding the harmful side effects often associated with traditional performance measurement but have usually failed to generate broad debate.

also confirms the respondents' opinions. In 2019, 75.6% (84.7% in 2021) of recommendations were implemented, including 44.3% in the same year, while the remaining 31.38% were in progress. Another 24.4% have yet to be implemented for various reasons (e.g. change of government after the elections) (NIK, 2020, p. 28; NIK, 2022b, p. 151). The respondents' statements revealed that the recommendation implementation rate depends on the SAI delegation and the addressee of the recommendation. Interestingly, written responses from auditees addressing recommendations are sometimes very general and wishful, which may indicate the apparent implementation of the recommendations. This conclusion is evidenced by the following statement by respondent R3: *'Often the answer is: we agree with the SAI's conclusions, we will take all necessary actions to implement them, or sometimes it is more precise, irregularities were found somewhere in some department, so the head of the department writes back that he carried out and ordered employee training and conducted some discussions, for example disciplinary discussions, so that the processes about which we had doubts were carried out correctly or brought the intended effect on time and legally'*.

From the perspective of auditees' achieving the expected changes as a result of taking actions contributing to the implementation of the recommendations, one of the respondents assessed that performance audits are not always effective and additionally pointed out the difficulty of measuring this effect by saying that: *'we are not always effective or we are not able to confirm this effectiveness, which does not rule out that maybe we were, we just will not find out about it (...) there are no exact statistics here'* [R3]. In turn, respondent R2 indicates that *'sometimes it is necessary to check the truthfulness of people signing letters containing a description of the implementation of the recommendations. It happens that false information is provided. (...) Auditors conduct ad hoc inspections, so-called follow-up audits, to check this. Then, we verify the implementation of the recommendations. These are effective audits, especially when we know from press articles, for example, that the probability of repairing a given area is low.'*

Based on the statements of the study respondents, it is difficult to determine the effectiveness of performance audits measured by the parliament's interest in the audit results. Due to the statutory powers of the SAI to demand detailed information from the Prime Minister on how to implement the recommendations, the SAI does not monitor other manifestations of parliamentary interest, such as those related to the introduction of expected changes in the law. Based on the statistics quoted by the respondents, over the last two years, only a dozen or so percent of these recommendations have been implemented, which was assessed as insufficient by the SAI. This opinion is confirmed by the statement of respondent R2, who states that (...) *'as to the conclusions and comments in the audit reports – it is a longer conversation because this is parliament. Moreover, the recommendations are poorly implemented. (...) In my opinion, parliament does not respond to recommendations. We say that there is a legal loophole somewhere, that some criteria for granting subsidies need to be clarified, that debt collection is poor – and these recommendations have not been implemented for years'*.

In addition, the respondents pointed out that the results of performance audits are sometimes used by government administration, the President of the Republic of Poland, and mayors. This observation is evidenced by the statement of respondent R2, who notes that *'it happens that, for example, a proud mayor will make the results of the audit available due to the positive assessment of his actions, e.g. at a session of the City Council. (...) The President of the Republic of Poland took advantage of our audit (specifically, the audit report), even thanked us and wrote a new project on this free legal aid system. The new law takes into account many of our comments.'*

There are cases when the results of a performance audit are an incentive for notifying law enforcement authorities of violations of the law or public finance discipline or for commissioning internal analysis to make decisions about changing the law or specific practices in public administration. However, it is interesting that although the committees of the lower and upper houses of parliament can submit requests for an audit in a specific area, the respondents should have mentioned this. This respondent's opinions may indicate that the SAI acts as an accountant for persons responsible for managing public funds, but mainly on its initiative rather than at parliament's request. The exception is European programmes. Respondent R2 stated: *'In the case of European programmes, our country reacts. Generally – we try to act as auditors, i.e. correct things on the spot and during the audit (...). As we know, countries try not to return funds to the EU'*.

The statements of three respondents indicate that performance audits are effective, because the results of the audits attract media attention. Respondent R1's statement confirms this conclusion: *'I have never had a situation where (...) audits were unsuccessful. However, there is always an effect because the noticed problem is alive; for example, it reaches the media'*. At the same time, one of the respondents drew attention to the media's tendency to abuse audit results.

Several respondents noted such manifestations of the effectiveness of performance audits as the introduction of expected changes by the auditee during the audit because of the anticipation of negative audit results, other entities learning from the mistakes of auditees revealed as a result of an audit, or the auditees raising objections to the assessments formulated in the audit report.

One respondent noted that due to the performance audit, a new audit was commissioned to postpone the decision. This opinion is evidenced by the statement of respondent R4, who states that *'when it comes to recommendations addressed to the legislator, to the Minister of Finance, there were several such recommendations. The minister informed that he must carry out appropriate analyses. If these analyses confirm what the SAI has shown, he will launch the legislative process to change the regulations or the practice. Furthermore, this is a longer period'*.

## **Concluding remarks**

Searching for an answer to the question posed in this article – namely, 'What does it mean when a performance audit is described as effective?' – turned out to be a difficult task. In general, the directors of SAI delegations had varied understandings of the effectiveness of performance audits. They referred in their statements to the process, results, and effects. Although their understanding of the examined concept largely coincides with the literature and the content of reports on the SAI's activities, several aspects are understood differently; the respondents have noted some, and one did not appear in the literature. The research also indicates that the effectiveness of performance audits perceived by the respondents depends on the adopted indicator. This study identifies the indicators relevant to assessing performance auditing effectiveness. Thus, the conducted research is a supplement to previous studies, which have focused primarily on understanding the impact of performance auditing in countries such as Australia, Estonia, the Netherlands, Israel, Canada, Sweden, the USA, and the UK (Pollitt et al., 1999; Van Loocke & Put, 2011). To the authors' knowledge, this is the first empirical study into the conducting of performance audits by the SAI in Poland. This study also shows that knowledge about performance audit effectiveness indicators cannot be uncritically transferred from one country to another due to different institutional and social conditions in different countries. This conclusion is consistent with the research conducted in other countries (Van Loocke & Put, 2011, p. 195). This study also suggests that it is possible

to measure the effectiveness of a performance audit using the concept of impact proposed by Van Looche & Put (2011, p. 203), even if the primary goal of the supreme audit institution in the state is accountability, not learning how to increase the performance of public entities.

This study offers contributions both for research and practice. SAI directors who want to improve the effectiveness of performance audits can use the identified indicators to assess and monitor the effectiveness of the audits they supervise. Researchers may view this study as allowing to expand the existing understanding of the effectiveness of a performance audit with a new indicator, which is reporting of infringements in the public finance law and discipline. This study may also be considered a comprehensive source of indicators of performance audit effectiveness in Poland, which will be a basis for future research in this field.

The conclusions based on the research have some limitations. The selected research sample could have been more representative and sufficiently numerous, and, therefore, the authors treated the research as a pilot study. Nevertheless, future research could confirm the hypotheses put forward in this article with more extensive qualitative and quantitative research. It would be interesting to identify which factors impact the effectiveness of performance auditing in a country with different public administration traditions than Western Europe, Canada, the USA, or Australia.

Future comparative research in various countries could explain under what conditions a performance audit may have tactical and political-legitimising impacts. Our study also indicates the need for a more detailed examination of how informing law enforcement agencies about violations of the law and public finance discipline as a result of a performance audit affects the effectiveness of public funds management in the audited entity. It would also be interesting to verify what factors determine the effectiveness of a performance audit, which, on the one hand, is aimed at detecting violations of the law and public finance discipline and, on the other, provides advice on improving the efficiency of public funds management. Since the study was a pilot study, it can already be seen that subsequent studies on a larger group of external auditors could bring specific changes that could be applied in audit practice to increase its effectiveness. Moreover, they can formulate policy recommendations and contribute to further research. At the current stage of the study, the authors cannot formulate specific changes. Supplementing this study with a comparison of internal and external audit practices, which is the second part of the research of the authors of this study, should bring tangible benefits.

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#### **Data Availability Statement**

All data will be available and shared upon request.