

THE RELEVANCE OF PERFORMANCE INDICATORS IN SUBSTANTIATING FINANCIAL CONTROL DECISIONS

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Abstract

Performance indicators have become a central instrument in substantiating financial control decisions, as they enable a shift from a predominantly reactive logic-identifying deviations after they occur-to a preventive, results-oriented approach focused on early monitoring of risks and the efficiency of resource utilization. This paper examines the relevance of performance indicators in shaping financial control decisions, arguing that they function simultaneously as measurement tools, early-warning signals, and criteria for prioritizing control interventions. Drawing on contributions from Romanian scholarship in the fields of financial control, internal audit, and managerial accounting, the study proposes an integrated approach to the use of indicators in financial control. At the same time, it highlights the risks associated with superficial reliance on indicators: “box-ticking” disconnected from decision-making, excessive measurement of irrelevant variables, behavioral distortions, and the conflation of performance measurement with punitive control. Building on findings and observations reported in Romanian studies on the effectiveness of financial control and performance monitoring in internal audit, the paper argues for the need to develop a balanced set of indicators, designed on a risk basis and calibrated to the specific features of the audited entity. The conclusions emphasize that the relevance of performance indicators lies not in their number, but in their capacity to reduce decision uncertainty, direct controls toward high-risk areas, and support the continuous improvement of financial governance.

Keywords: *performance indicators; financial control; risk management; internal audit; financial governance; efficiency.*

JEL Classification: M42, H83, M41

1. Introduction and context of the study

Financial control constitutes an indispensable function of economic and financial governance, as it ensures the verification of the legality and regularity of operations, the safeguarding of assets, and the use of resources under conditions of economy, efficiency, and effectiveness. Nonetheless, in practice, financial control decisions face two structural constraints. First, the volume of transactions and the complexity of processes are increasing, rendering exhaustive verification infeasible. Second, financial and operational risks increasingly manifest as patterns— anomalies, recurring deviations, and process vulnerabilities—rather than as isolated events. In this context, performance indicators emerge as a pragmatic solution: they reduce complexity, transform data into actionable signals, and enable the rational prioritization of control interventions.

Romanian scholarship provides useful reference points for this discussion. On the one hand, studies on the performance of financial control show that the effectiveness of control should not be conflated with the “volume of damages identified,” but should instead be assessed through its preventive effects, the timeliness with which findings are acted upon, and the improvement of decision-making processes within controlled entities (Nechita & Botez, 2025; Ministry of Finance, 2024). On the other hand, applied research in the field of internal audit within Romania’s public sector indicates that performance monitoring based on indicators remains insufficiently developed and that there is a genuine need for minimal indicator sets to ensure that performance becomes comparable and decision-relevant (Chamber of Financial Auditors of Romania, 2025).

The purpose of this paper is to present the relevance of performance indicators in shaping financial control decisions, to propose a logical structure of indicators, and to highlight the quality conditions that make an indicator genuinely useful.

2. Performance indicators as the basis for financial control decision-making: a conceptual framework and typologies

In a traditional perspective, financial control is exercised primarily over transactions-supporting documents, budgetary classifications, procedures, and compliance. Although this approach remains necessary, it becomes insufficient when the decision-maker must determine *where* to control and *how deeply* to do so. Performance indicators address precisely this issue: they provide criteria for the selection and intensity of control, reducing arbitrariness and directing control resources toward areas of high risk or major impact.

Ionel Bostan argues that the effectiveness of financial control is tied to the prevention of deviations and to the linkage between the preventive–operational component and the subsequent capitalization of findings (Nechita & Botez, 2025; Ministry of Finance, 2024). In practical terms, this idea translates into a key principle for indicator design: indicators should be sufficiently *leading* to support prevention, not merely sufficiently *lagging* to describe outcomes retrospectively. For indicators to be decision-relevant, they must be organized within a coherent typology. A frequently used structure distinguishes indicators of inputs (resources), processes (ways of working), outputs (goods/services delivered), and outcomes (effects). In financial control, this typology can be combined with the “3E” logic (economy, efficiency, effectiveness), so that control does not remain confined exclusively to the sphere of compliance.

Within managerial accounting and management control, Romanian literature emphasizes the role of indicators in linking costs and resources to results, thereby supporting management and control decisions (Tofan & Airinei, 2025; Chamber of Financial Auditors of Romania, 2025). In this tradition, a relevant indicator is one that quantifies a controllable relationship, can be tracked over time, and prompts managerial action rather than merely producing reporting outputs.

A common practical confusion is the equation of compliance indicators with performance indicators. For example, the “number of documents verified” or the “percentage of operations reviewed” describe control activity, but do not necessarily convey anything about financial performance or the quality of governance. By contrast, indicators such as the “rate of corrections relative to the volume of operations,” the “time to remedy non-compliance,” the “share of high-risk procurements,” or the “recovery rate of identified receivables” are closer to the notion of decision-relevant performance.

In this regard, Bostan (2010) emphasizes that the effectiveness of control is not assessed through sanctions, but through systemic effects-recoveries, resolutions, follow-up implementation, and prevention. Accordingly, the relevance of performance indicators lies in their capacity to connect control to financial results and process improvement, rather than merely to the reporting of completed control actions.

3. Designing performance indicators for financial control decisions: quality criteria, a minimum core set, and integration into risk management

The design of performance indicators serves to transform control decision-making into an evidence-based process, reducing reliance on intuition, routine practices, or situational pressures and directing control resources toward areas of high materiality and elevated risk.

A performance indicator becomes useful for financial control decision-making when it simultaneously meets several criteria (Figure 1):

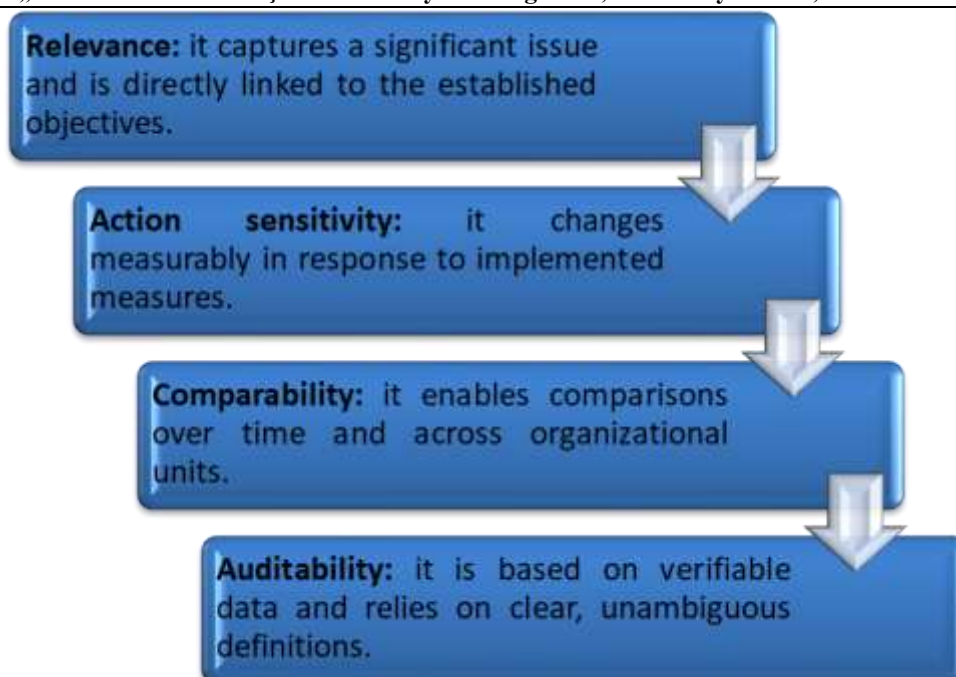


Figure 1 „Quality criteria for financial control indicators”

The study by Dascălu, Marcu, and Hurjui (2016), focused on Romania’s public sector, highlights difficulties in defining indicators and a perceived need for models and methodologies, including the development of a minimum core set of indicators for monitoring performance in public internal audit. Although the study addresses internal audit, its conclusion is applicable to financial control as well: in the absence of shared definitions and minimal indicators, decisions tend to rely on intuition or on situational pressures.

Building on Romanian scholarship and on the functional logic of financial control, a minimum core set of indicators-each with a specific decision-making role-can be proposed (Figure 2):

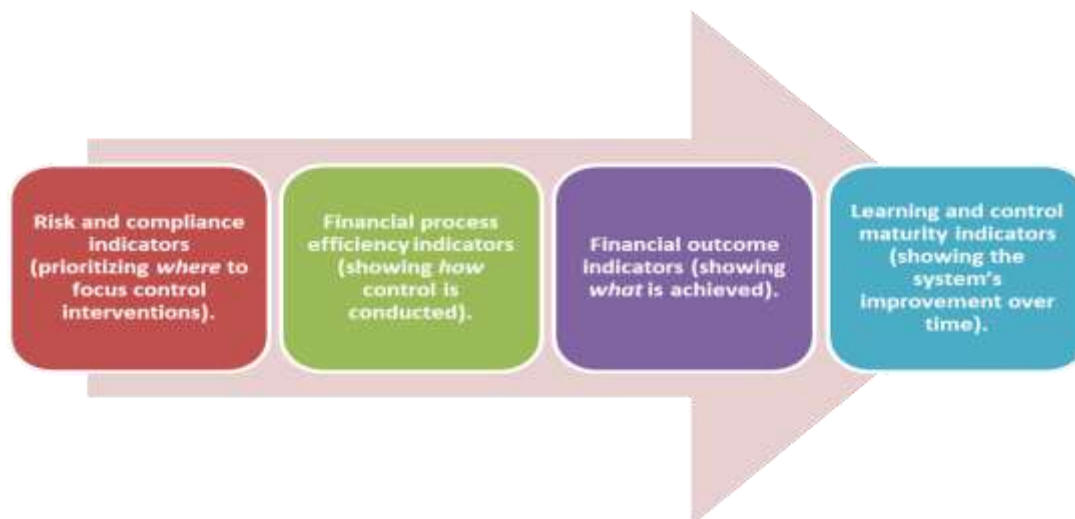


Figure 2. “Financial control indicators”

This structure is consistent with the view that indicators should capture the *value* of financial control, not merely the *volume* of activity (Nechita & Botez, 2025; Ministry of Finance, 2024), and with the need for a comparable minimum core set of indicators (Chamber of Financial Auditors of Romania, 2025).

Table no 1 „Financial control indicators”

Risk and compliance indicators (prioritizing where control should be applied).	<ul style="list-style-type: none"> ➤ Share of transactions with recurring deviations, by expenditure category/process type; ➤ Frequency of procedural exceptions (procurement, acceptance/receipting, payments); ➤ Severity of non-compliance per unit of activity volume (not merely an absolute count).
Financial process efficiency indicators (showing how control is performed).	<ul style="list-style-type: none"> ➤ Cycle time for the “commitment–verification–authorization–payment” process; ➤ Rate of administrative bottlenecks (transactions delayed beyond deadline); ➤ Share of payments subsequently adjusted/corrected.
Financial outcome indicators (showing what outcomes are achieved).	<ul style="list-style-type: none"> ➤ Recovery rate of identified amounts and average time to recovery; ➤ Recovery rate of identified amounts and average time to recovery; ➤ Savings achieved through corrective measures (based on prudent estimates); ➤ Reduction in recurring errors following the implementation of recommendations.
Learning and control maturity indicators (showing the improvement of the control system).	<ul style="list-style-type: none"> ➤ Percentage of recommendations implemented on time; ➤ Share of risk-based controls versus routine controls; ➤ Data quality (inconsistencies, access incidents, lack of traceability).

Financial control decision-making involves the allocation of resources (time, personnel, and managerial attention). Indicators become relevant when they are integrated into a risk register and a prioritization mechanism-by setting alert thresholds, defining risk appetite/tolerance, and linking indicators to both the control plan and the corrective action plan.

Evidence from studies on financial performance in local public administration suggests the usefulness of comparable indicators, while also showing that, in the absence of incentives, performance measurement tends to remain underdeveloped (National Agency for Fiscal Administration, 2024).

4. Using performance indicators in current financial control practices: applications, effects, and limitations

In the public sector, a natural area of application is budget execution: deviations between approved appropriations and actual execution, outstanding commitments, arrears, delayed payments, and repeated budget adjustments. Indicators do not replace legality checks; rather, they add an operational dimension by showing where financial pressure accumulates and where the risk of non-compliance increases. The most useful indicators are those that combine volume with

severity (for example, the value of delayed transactions as a percentage of the total, not merely their number).

Control of procurement and contracts: risk and performance indicators

Procurement and contracting constitute a high-risk area. Indicators play a dual role: they signal non-compliance risk and capture the performance of fund utilization. A minimum core set may include the share of procedures with limited competition; the number and value of contract amendments relative to the initial contract value; deviations between contractual deadlines and actual delivery timelines; and the share of payments made prior to full acceptance (where applicable, with documented justification). Romanian literature on financial control and forensic/accounting expertise emphasizes the role of control procedures in identifying vulnerabilities in financial flows (Chamber of Financial Auditors of Romania, 2025).

Indicators in internal audit and their relationship with financial control

Financial control and internal audit intersect: control identifies deviations, while internal audit assesses systems and proposes improvements. Indicators become a shared language between the two functions. Dascălu, Marcu, and Hurjui (2016) show that performance monitoring in public internal audit is often periodic and insufficiently developed. From the perspective of financial control, two implications follow: indicators should be measured frequently enough to enable timely corrections, and they should be linked to concrete decisions (procedural adjustments, additional controls, digitalization, training). Indicators tracking the implementation of recommendations are crucial: if measures are not implemented, the performance of financial control remains low, even when control activity is intensive.

There are, however, limitations: behavioral distortions (optimizing the metric rather than the underlying process), over-measurement (too many indicators dilute attention), and the confusion of performance with compliance. Managerial accounting literature stresses that indicators must be connected to decision-making and embedded within an information system that is genuinely useful for management (Tofan & Airinei, 2025; Chamber of Financial Auditors of Romania, 2025).

5. Conclusions

Performance indicators are relevant to financial control decision-making because they reduce decision uncertainty and enable controls to be directed toward areas of high risk and significant impact. At the same time, they help transform control from a predominantly reactive mechanism into a preventive and developmental instrument, focused on process improvement and the safeguarding of resources. In line with arguments advanced in Romanian scholarship, the effectiveness of financial control should not be assessed by the volume of sanctions or findings, but rather by its preventive effects and by the prompt and effective follow-up of corrective measures (Nechita & Botez, 2025; Ministry of Finance, 2024).

The paper has shown that an indicator becomes useful when it is relevant, action-sensitive, comparable, and auditable. Moreover, research on internal audit in Romania's public sector points to the need for a minimum core set of indicators and a clear methodology in order to avoid fragmentation and formalism (Chamber of Financial Auditors of Romania, 2025). From an applied perspective, the proposed minimum set-risk and compliance; process efficiency; financial outcomes; and control maturity-provides a pragmatic basis for more objective decision-making.

In conclusion, indicators are not an end in themselves. Their relevance depends on how they are embedded in risk management and organizational culture: when used as instruments for learning and improvement, financial control becomes more effective; when applied rigidly and formally, they may foster merely performative compliance. Accordingly, the maturation of financial control decision-making requires not only the definition of indicators, but also their governance-stable definitions, clear responsibilities, alert thresholds, an appropriate measurement frequency, and a direct link to corrective actions.

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