

Reaching the stakeholders of Supreme Audit Institutions: Experiences from Denmark, Estonia, Finland, Norway and Sweden

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Overview

- Background
- Our project
- Theoretical framework
- Organisational strategies
- Stakeholders
- Communication strategies
- Studying audit impact
- Experiences from the Nordic and Baltic countries
- Practical implications

Background: The big picture

- Development of the welfare state and growth in the public sector
 - Public sector reforms and new public management
- The audit society
 - Strong trends in society promoting audit activities
- Supreme Audit Institutions (SAIs) and performance audits important tool for democratic accountability and control
 - Little scientifically known as to the effect of these activities
- Auditor roles
 - Different institutions and norms expect different auditor roles

Background: The big issue

- The impact of audit have been questioned
 - ‘The audit society’: rituals and comfort
- Need for empirical evidence of SAIs’ and performance audit’s idifferent types of impact on politics and public administration (and other stakeholders)
 - Different types of impact: Instrumental, conceptual, interactive, political-legitimizing use
- How do SAIs reach out to stakeholders in practice?

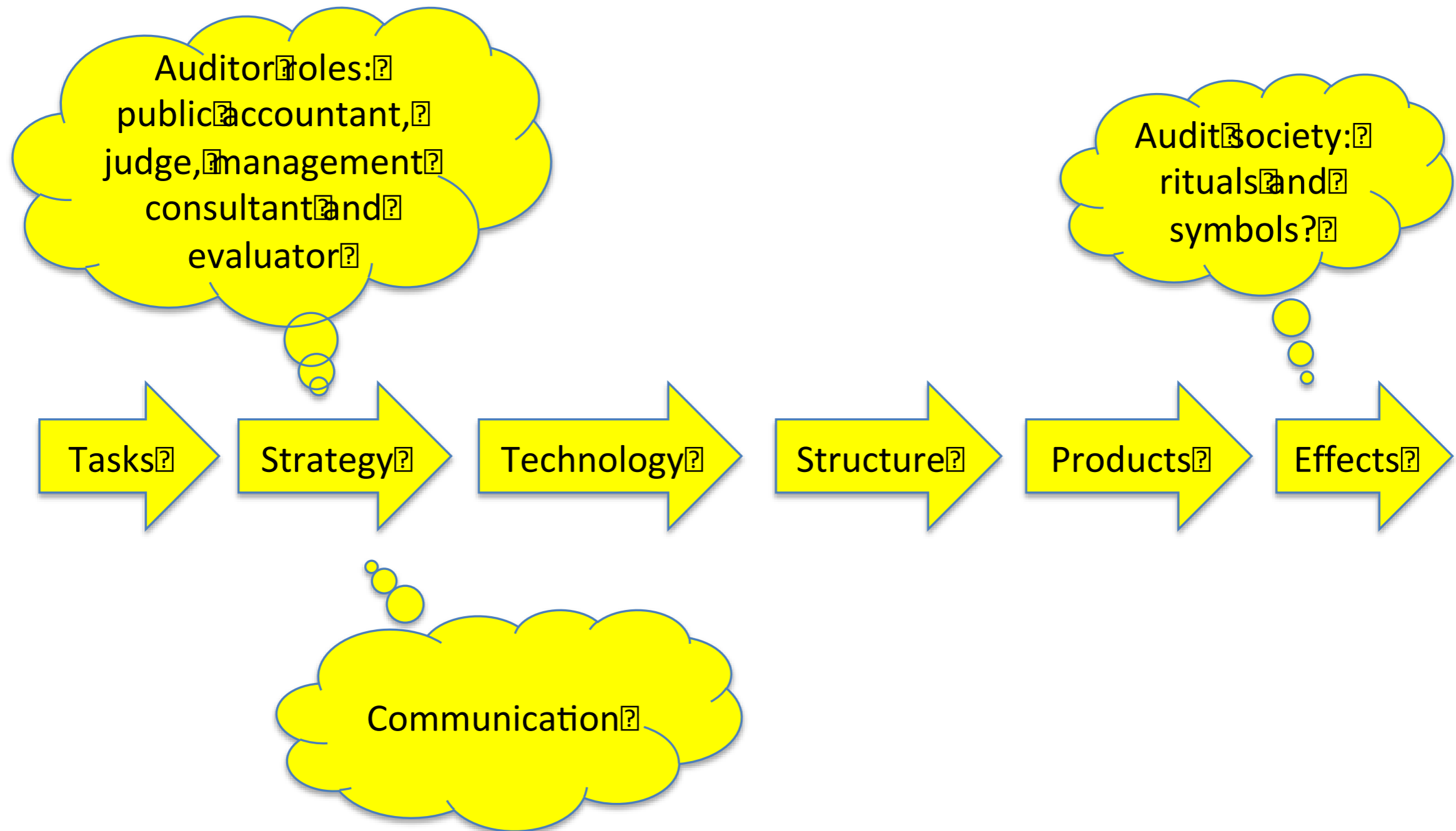
Our project

- Purpose
 - Study the impact of SAIs' performance audit on public administration
- Content
 - Module 1 Analysing the organizational design of the SAIs and their respective public administrations
 - Module 2 Analysing users' perceptions of performance audits
 - Module 3 Analysis on the public debate ensuing the publication of the performance audit reports
- Methods
 - Replication of existing research instruments
 - Comparisons between (Nordic and Baltic) countries

Status so far

- Five participating countries
- Pilot interviews in SAIs conducted
- Survey data collected in five countries
- One study of the Nordic SAIs' strategic choices, forthcoming
- One study of (Nordic) SAIs' activities regarding combating corruption, in process
- One study of strategy and organisational design, in process
- Two studies of impact of performance audits on public administration in national contexts, forthcoming
- One comparative study of impact of performance audits on public administration, in process
- One comparative study of SAIs legitimacy, in process
- One comparative study of impact of performance audit on public debate, planned

Theoretical framework



Task/mission pyramid

Level 1: Combating corruption

Level 2: Promoting transparency

Level 3: Ensuring accountability

Level 4: Enhancing economy, efficiency, ethics, equity, and effectiveness

Level 5: Increasing insight

Level 6: Facilitating foresight

Environment

- Characteristics
 - Turbulence (political and administrative stability)
 - Complexity
 - Regulation
 - Austerity
 - Imprinting
- Organisational design for manipulating the environment
 - Coercion (formal mandate and independence)
 - Influence activities (media handling, publishing)
 - Imitation (structures and procedures)
 - Collaboration (INTOSAI)
 - Negotiation (before publication of the audit reports)
 - Co-optation (board membership)
- Diversification (portfolio)

Technology

- Unit/small-batch production (performance audit)
 - Labour intensive
 - Low and fluctuating output
 - Little administration
 - General skills
 - Easy to experiment with product development
- Mass production (financial audit)
 - Medium level of labour and capital intensity
 - High volume of output
 - Formalised control
 - Specialised skills
 - Less flexible for experimentation
- Continuous process
 - Continuous audit?

Structure

- Miles and Snow's 1978 framework
 - Type I Traditional model (owner-managed bureaucracies)
 - Type II Human Relations model (functionally organised)
 - Type III Human resources model (federally divisionalised)
 - Type IV Functions, markets and projects model (matrix organisation)
- Mintzberg's 1980 five structural archetypes
 - Simple structure
 - Machine bureaucracy
 - Professional bureaucracy
 - Divisionalised form
 - Adhocracy

Organisational strategies: SAIs' strategic choices

- Perspective of professional competition
 - SAIs compete with the private sector auditing profession and evaluative agencies for their jurisdiction
- The (Nordic) SAIs have four strategic options
 - Performance auditing strategy (public value)
 - Financial auditing strategy (accounting profession norms)
 - Portfolio strategy (specialisation in financial, compliance and performance auditing, multiple sources of legitimacy)
 - Hybrid strategy, merging elements from financial auditing, performance auditing and evaluation into a distinct new type of audit
- Portfolio strategy, with some variation, chosen in all the four Nordic SAIs studied so far

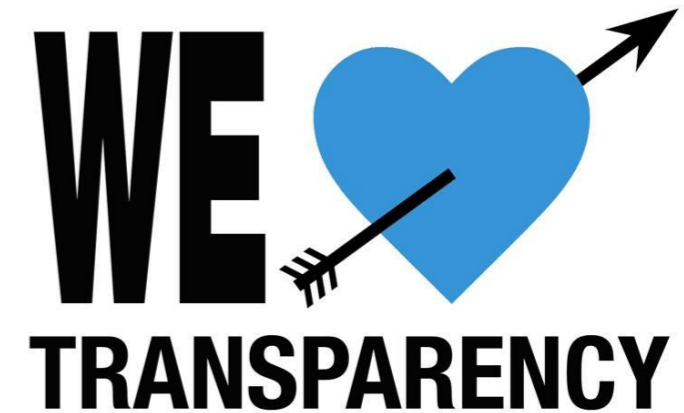
Important stakeholders

- Audited bodies • • •
- Public administration
- Constitutional bodies
 - Parliament
 - Public accounts committee
- Other bodies
 - Media
 - Civil society
 - Researchers
 - Public at large

If audit has pre-emptive or learning effects, non-audited bodies are important as well

Communication strategy

- Serve the SAI strategy (see task/mission pyramid)
- Demonstrate the results of the SAI's activities
- Freedom to address different stakeholders
- Enhance impact of the audits
- Enhance transparency and equal access to high-quality information



Communication actions

- Audit reports
- Annual reports
- Website archive
- Press office
- Press releases
- Press conferences
- Peer review reports
- Frequently asked questions (FAQs)
- Social media (Facebook, Twitter, YouTube, Flickr)

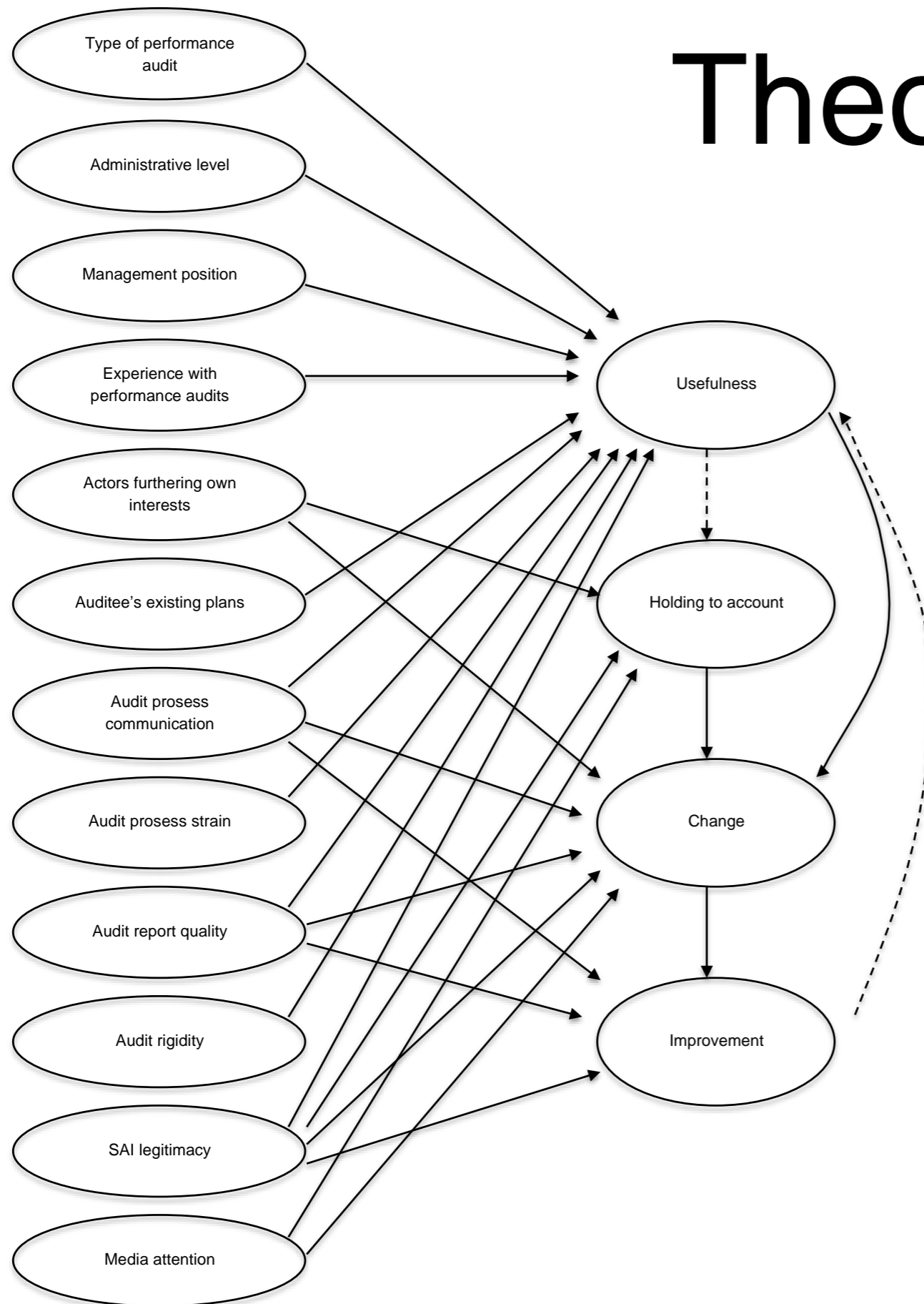


There is no lack of regulation and normative theories for what SAls should do, but are the SAls reaching their stakeholders in practice?

Studying the impact of SAIs' performance audits

- Purpose of the study: explore the impact of SAIs' performance audits on public administration on several dimensions in a comparative context
- Research question: How do SAIs' performance audits impact public administration?
- Four different dependent variables
 - Usefulness
 - Accountability
 - Changes
 - Improvement

Theoretical model



Hypotheses (examples)

H1 Performance oriented audits will be more useful for the auditees than activity and compliance oriented audits

H2 Civil servants close to policy making will perceive performance audits more useful than civil servants remote from policy making

H5 Performance audits used by different actors to further their interests are used more for holding someone to account, than performance audits that are not used by different actors to further their interests

H10 Performance audits with good communication between the SAIs and the auditees are used more for improvements than performance audits with bad communication

H13 Performance audits that are perceived as having high quality are used more for making changes than performance audits that are perceived as having low quality

H15 Performance audits that are rigid are less useful than performance audits that are little rigid

H19 Performance audits conducted by SAIs that are perceived as having much legitimacy are used more for improvements than performance audits conducted by SAIs that are perceived as having little legitimacy

H21 Performance audits that are subject to much media attention are used more for making changes than performance audits subject to little media attention

Research design

- Replicating survey instrument (Reichborn-Kjennerud PA 2013)
- Civil servants who had experienced performance audits
- Cross-sectional comparative study

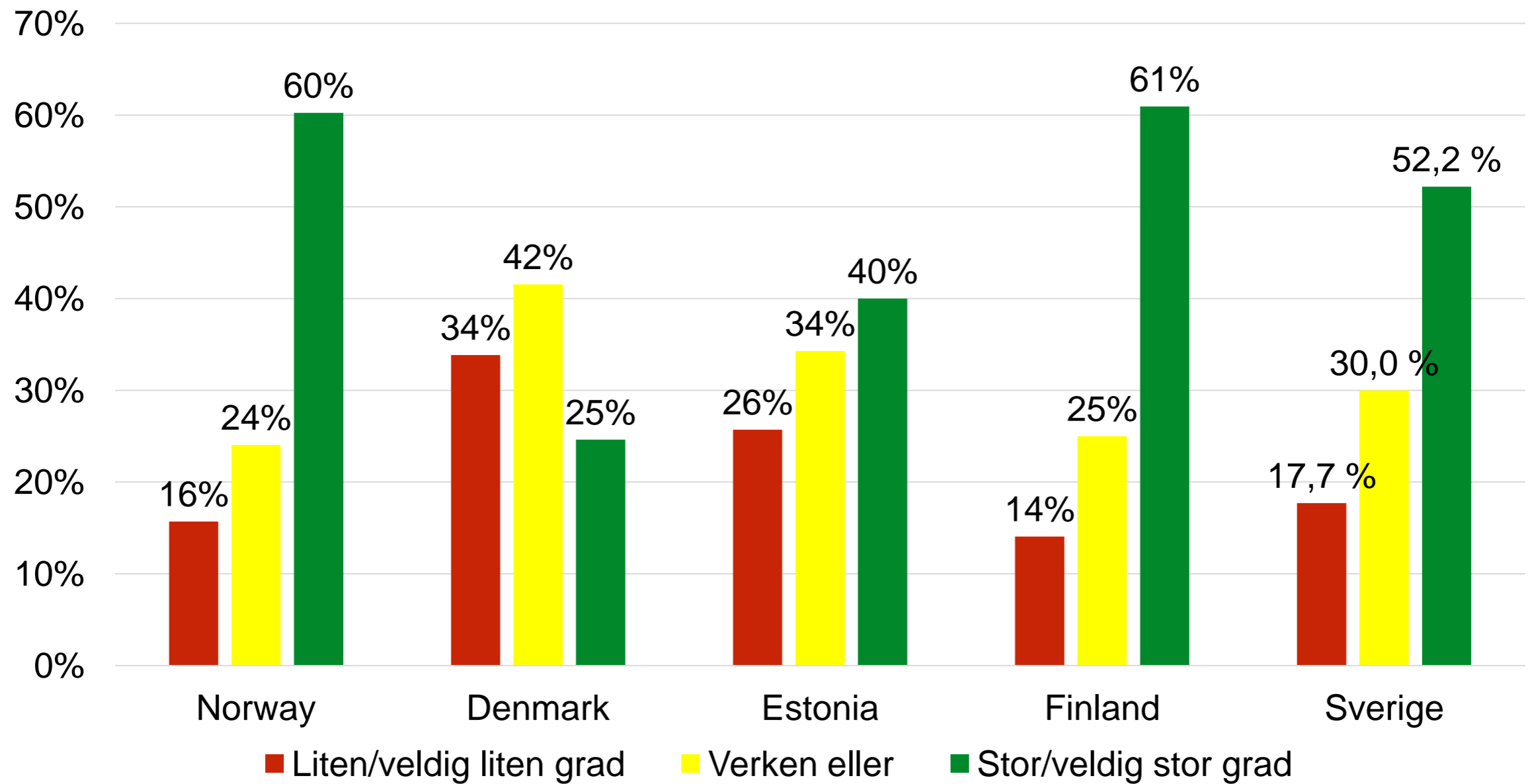
	Active SAI	Age of SAI	Country size	Public finances	Reform intensity
Denmark	?	Middle	Medium	Strained	High
Estonia	?	New	Small	Strained	High
Finland	Yes	Old	Medium	Strained	Medium
Norway	Yes	Old	Medium	Affluent	Low
Sweden	Yes	Middle	Big	Balanced	Medium

Measurement

Four dependent variables

- *Perceived usefulness* (conceptual impact)
- *Holding to account* (instrument of accountability)
- *Change resulting from the performance audit* (instrumental changes)
- *Improvements resulting from the performance audit* (political use)

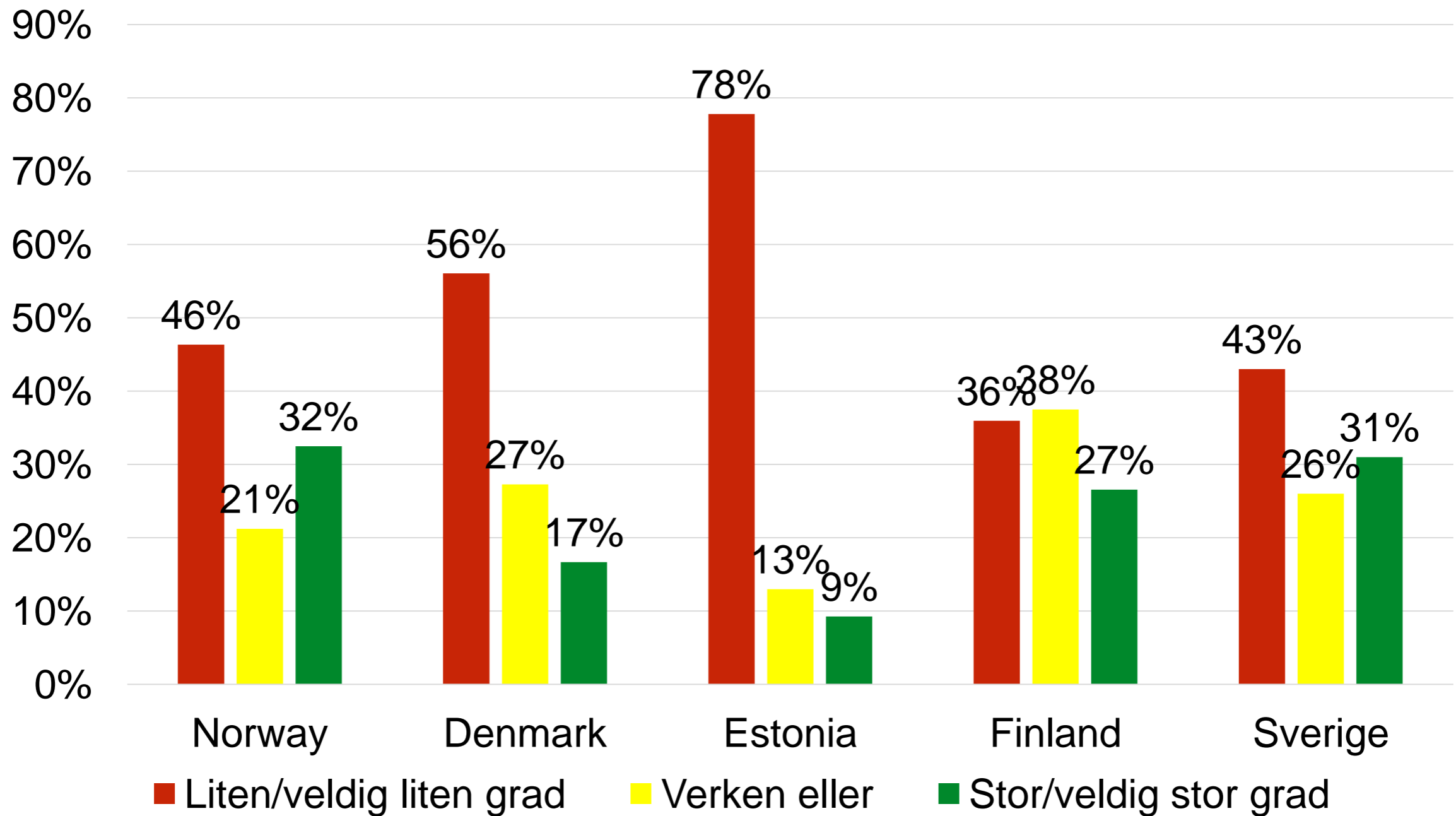
Perceived usefulness



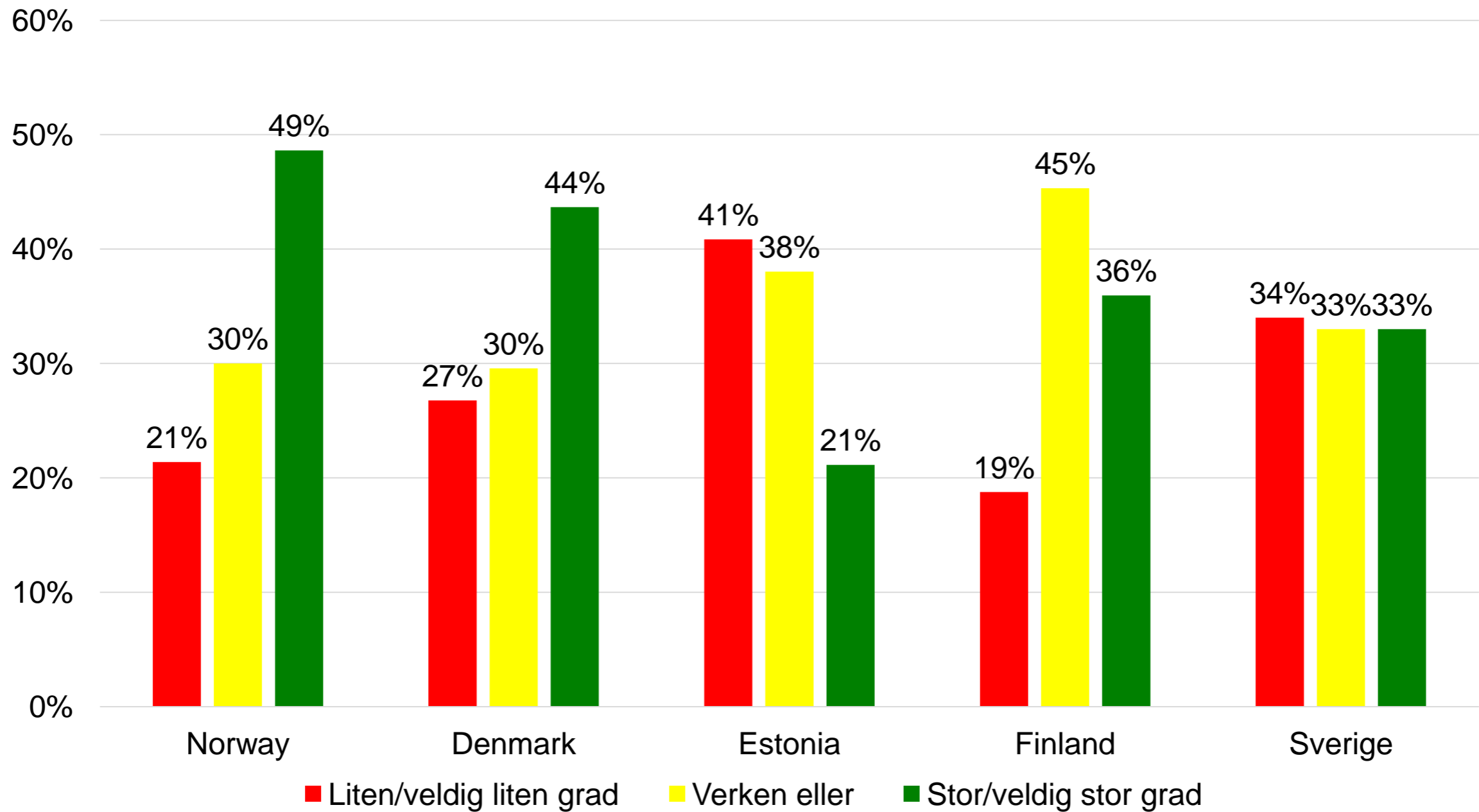
Perceived usefulness by country and administrative level

<i>Country</i>	<i>Administrative level</i>	<i>N</i>	Perceived usefulness		
			<i>To a small extent useful</i>	<i>Neither useful nor un-useful</i>	<i>To a large extent useful</i>
Denmark	Ministry	20	30,0%	45,0%	25,0%
	Agency	35	40,0%	37,1%	22,9%
	All	55	36,4%	40,0%	23,6%
Estonia	Ministry	36	30,6%	33,3%	36,1%
	Agency	17	17,6%	29,4%	52,9%
	All	53	26,4%	32,1%	41,5%
Finland	Ministry	37	18,9%	24,3%	56,8%
	Agency	20	10,0%	35,0%	55,0%
	All	57	15,8%	28,1%	56,1%
Norway	Ministry	106	26,4%	33,0%	40,6%
	Agency	98	12,2%	17,3%	70,4%
	All	204	19,6%	25,5%	54,9%
Sweden	Ministry	5	0,0%	20,0%	80,0%
	Agency	78	20,5%	28,2%	51,3%
	All	83	19,3%	27,7%	53,0%
Total	Ministry	204	25,5%	32,4%	42,2%
	Agency	248	19,0%	25,8%	55,2%
	All	452	21,9%	28,8%	49,3%

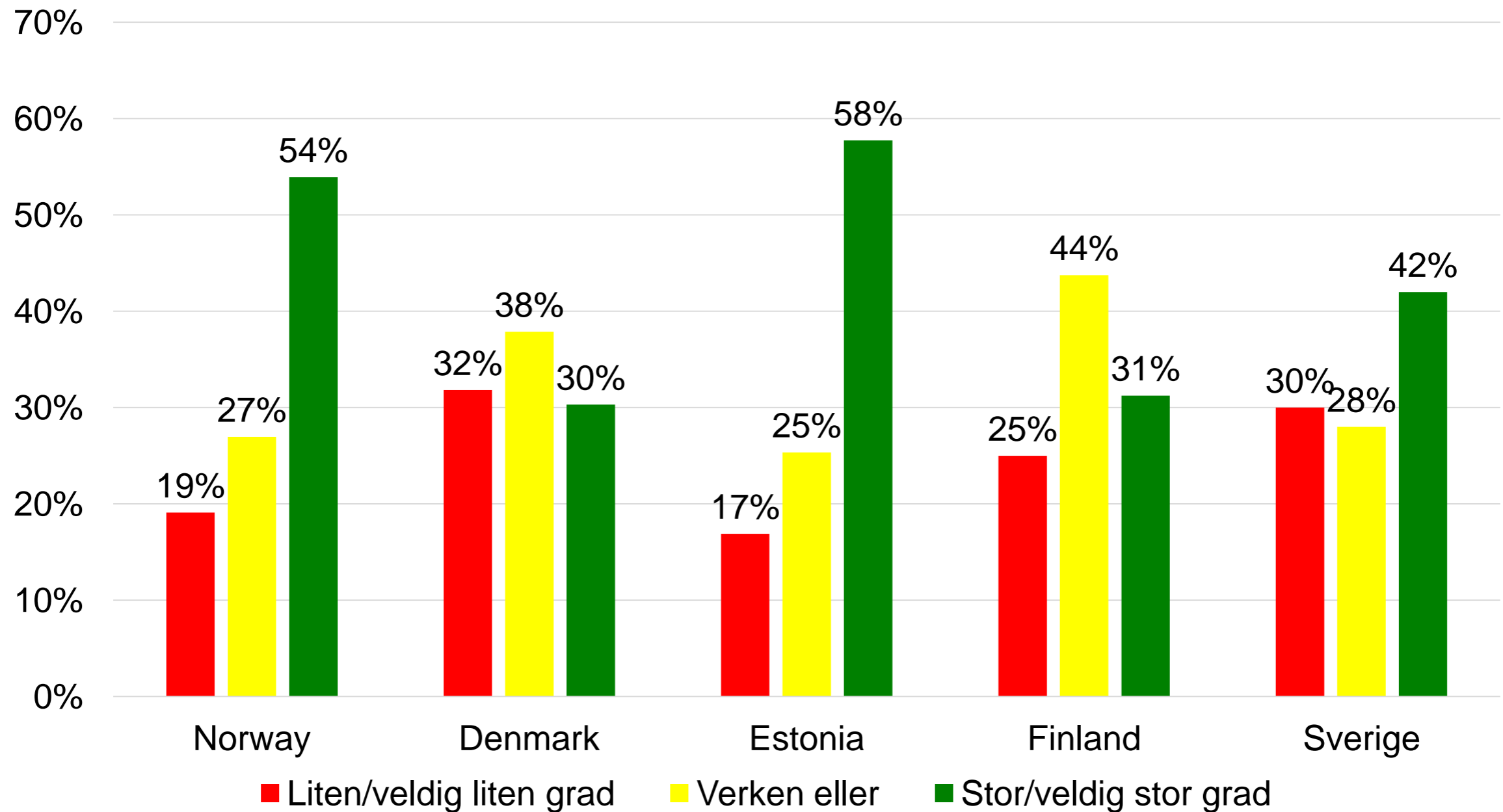
Report used for holding minister to account



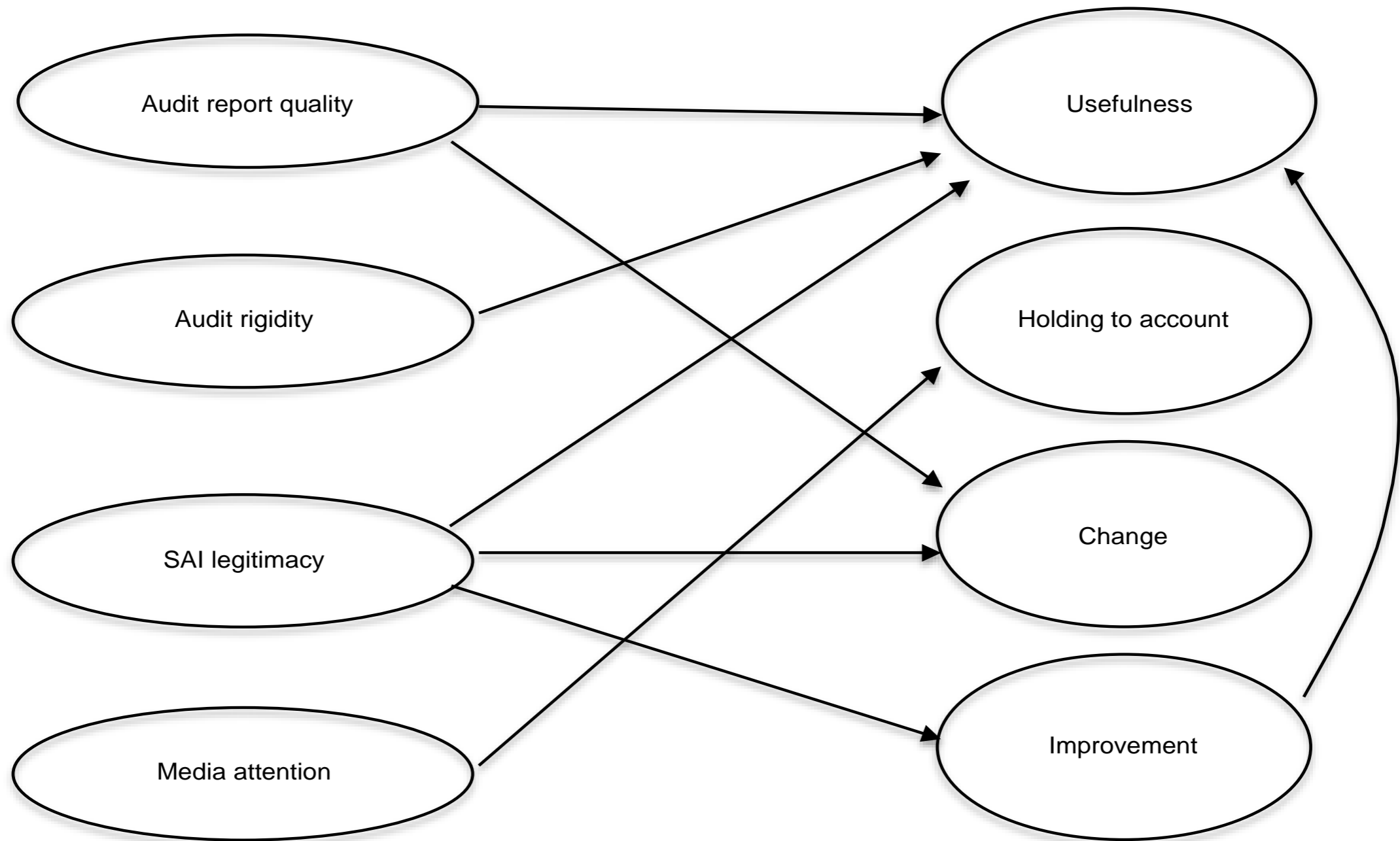
Audited body made changes



Audit report used for making improvements



Main results



Practical implications

- Usefulness perceived positively in Finland, Norway and Sweden
 - SAls' choice of role important?
 - Financial austerity/cut-back management important?
- Administrative level matters
 - Civil servants in ministries in Denmark, Finland and Sweden most positive
 - Decentralisation/devolution matters?
- Design of the audit matters
 - Audit quality, flexibility and SAI legitimacy important
- External pressure matters
 - Media attention important for holding minister to account

Literature

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