

INVESTIGATION 2

How do Supreme Audit Institutions deliver value? A review of literature and SAIs' reports

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Chapter 1: Introduction

The role of auditing in the public sector is both long-standing and entrenched, as evidenced by the 192 countries' Supreme Audit Institutions (SAIs) that are members of the International Organisation of Supreme Audit Institutions (INTOSAI). Hay et al. (2016) (Investigation 1) suggest a number of explanations for audit in the public sector to be of value, including: information/signalling, agency/monitoring, insurance, organizational control, confirmation hypothesis, and risk management. SAIs report to a number of stakeholders, including Parliament (elected representatives), government departments (and their staff), taxpayers and, especially as SAIs are funded largely from the public purse, the public in general. It is likely that these stakeholders will value SAIs' work for different reasons and therefore have varying expectations of SAIs (Moore, 2013). SAIs' activities also differ according to their "constitutional position and administrative cultures" (Pollitt & Summa, 1997, p. 316), consequently, the benefits of SAIs will differ between nations.

1.1. Investigation 2

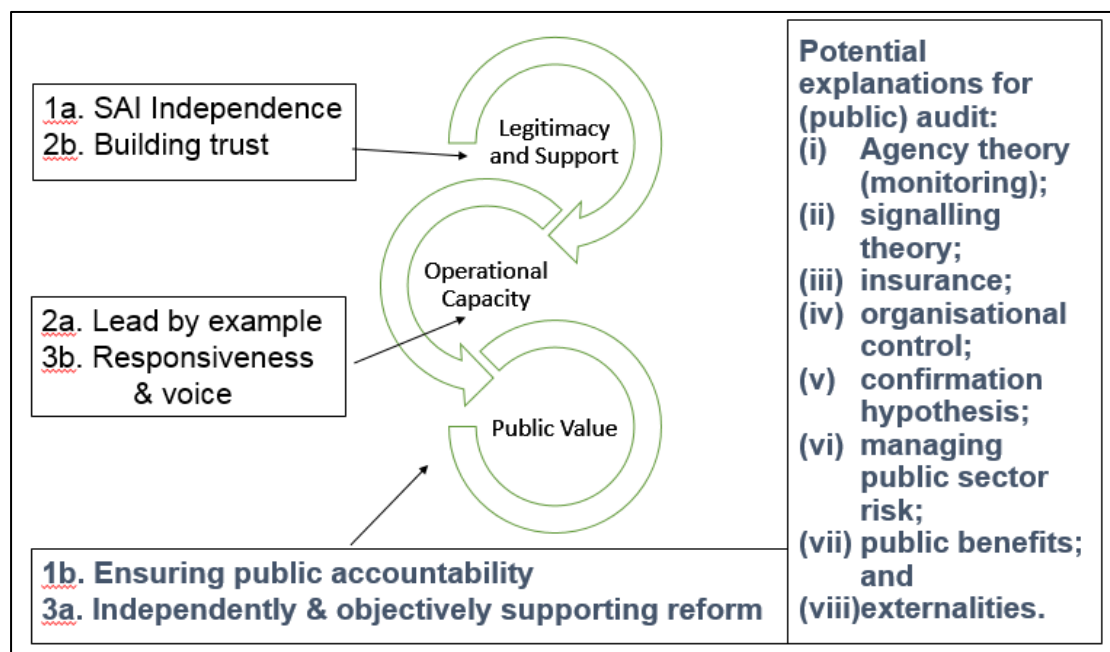
Investigation 2 is a literature review of research into how SAIs report on the value of public audit and what is being done to examine similar issues in other countries. While Investigation 1 sought to ascertain theoretical explanations for the value of public audit to stakeholders, the purpose of this paper is to analyse how SAIs measure and report on how they deliver value through their activities. We undertake a literature review and analyse SAIs reports which communicate how SAIs measure the extent to which they deliver value. Investigation 1 noted the "multiple complementary reasons for why auditing is valuable" (Hay et al., 2016, p. 28). Specifically, auditing is useful for the management of audited entities (due to agency theory, signalling and organisational control), as well as to society and the economy (including through the confirmation hypothesis, risk management, the 'insurance explanation', and the general public good).

As this research uses published reports and literature (rather than primary data), necessarily the measures of public value observed are those that are reported on. As will be evident, some SAIs (e.g. the United Kingdom (UK) and United States (US)) report the financial savings brought about by their activities (Norton & Smith, 2008; Pollitt & Summa, 1997), others, by auditees' perceptions of usefulness and SAIs' influence on government effectiveness and public sector reforms (Etverk, 2002; Morin,

2001, 2014). Measures of value can be difficult and subjective (Moore, 2013; Pollitt & Summa, 1997) with many SAIs using this as a reason not to develop or publish performance information. Nevertheless, Raudla et al. (2015, p. 12) argue reporting is “an endeavor worth undertaking”.

The paper is framed by the International Standard of Supreme Audit Institutions (ISSAI) 12: *The Value and Benefits of SAIs – making a difference to the lives of citizens* (INTOSAI, 2013, para 3) which requires SAIs to “demonstrate their ongoing relevance to citizens, Parliament and other stakeholders”. We also utilise Moore’s (2013) concept of public value as a theory which is developed specifically for the public sector and is broad enough to encompass multiple, complementary reasons for ascribing value to public audit. This is because Moore (2013) specifically recognises that ‘public value’ has multiple facets and requires deep understanding of stakeholders’ expectations. In addition to analysing how SAIs measure and report value, the paper also discusses negative consequences and challenges SAIs face in delivering value.

Figure 1: Moore’s (2013) public value and core principles of ISSAI 12



Moore’s (2013) concept of public value is split into three aspects of legitimacy and support, operational capacity and public value. These aspects were matched to principles from ISSAI 12, as can be seen in Figure 1, and discussed further in Chapter 2. Specifically Table 1 shows how the three objectives of ISSA 12 have been split,

labelled and matched to the 12 principles of that standard. (Appendix 1 shows the ISSAI 12 objectives and this split.)

SAIs' activities depend on their mandate. Generally, for individual agencies and for government as a whole, SAIs undertake, or outsource and oversee:

1. financial statement audits and reports for individual agencies and for government as a whole;
2. compliance audits; and
3. performance audits¹ (The World Bank, 2001).

In addition, SAIs provide advice to Parliament (often through Parliamentary committees), respond to relevant issues raised by citizens, Parliament and other stakeholders, and undertake other activities such as developing and publishing auditing standards and guidance (The World Bank, 2001).²

Performance audits have become increasingly important (Guthrie & Parker, 1999; Morin, 2001; Mulgan, 2001), with 164 or more SAIs having this as part of their mandate (Arthur, Rydland, & Amundsen, 2012).³ Norton and Smith (2008) note that, following New Public Management (NPM) reforms, the ability to undertake performance audits is a significant determinant of an SAI's effectiveness. Nevertheless, financial audits remain important, with Friedberg and Lutin (2005) reporting that they account for 96% of US State Audit Agencies' audits by number. Yet, the available literature focuses predominantly on performance audits.

1.2. Paper outline

The paper proceeds as follows: in Chapter 2 we present a literature review. This firstly develops Moore's (2013) concept of public value and also interrogates relevant academic literature supporting ISSAI 12. There is a wealth of literature on each objective of ISSAI 12, but we concentrate on and summarise how SAIs add public value.

¹ These are variously called "performance", "value-for-money" (VFM), "project", "efficiency", or "comprehensive" audits and vary widely in scope, depending on the local structure and culture (Barzelay, 1997; Etverk, 2002; Guthrie & Parker, 1999; Morin, 2001; Mulgan, 2001).

² This latter is undertaken by the New Zealand SAI – see: <http://www.oag.govt.nz/about-us/our-structure>

³ Guthrie and Parker (1999, pp. 320–321) note the varying levels of resources committed to performance audit in the Australian National Audit Office, from just under 20% in the 1980s, to 6% in 1992, and a later increase to 50%.

In Chapter 3, we present the results of empirical research into how SAIs report the public value they deliver. The research analyses publicly available information from SAIs. This document review provides examples from across the world sorted into Moore's (2013) measures of public value: (i) legitimacy and support; (ii) operating capacity; and (iii) public value. From the sixteen countries' reports analysed, numerous examples of public value are provided.

Chapter 4 consolidates the examples from Chapter 3 and uses the model developed in Chapter 2 (of both Moore's strategic points of public value and the principles of ISSAI 12) to critique SAIs' reporting. It presents a third line of argument, as Investigation 2 links to Investigation 1. The argument from Investigation 1 was that public audit delivers value under eight different potential explanations: (i) monitoring (agency); (ii) signalling quality; (iii) providing 'insurance' against loss; (iv) organisational control; (v) confirmation hypothesis; (vi) managing public sector risk; (vii) public benefits; and (viii) externality. The model developed in this report (Investigation 2) indicates that SAIs' reporting shows they deliver on many of these explanations for audit. Nevertheless, it also observes that SAIs generally fail to discuss the negative consequences of their work. This suggests that some measures of value may be misleading. Chapter 4 also outlines limitations and areas for future research.

Chapter 2: Literature Review

This review considers first Moore's (2013) concept of public value, before analysing ISSAI 12 (INTOSAI, 2013) and its objectives, in terms of the value SAIs may deliver. INTOSAI has issued 12 standards at three levels: the founding principles (at Level 1), seven standards recognised as "prerequisites for the functioning of SAIs" (Level 2 standards), and fundamental auditing principles (Level 3 standards), as well as 72 general and specific guidelines at Level 4. ISSAI 12 (the focus of this study), one of the seven Level 2 standards, comprises 12 interrelated principles.⁴ These ISSAIs have been adopted by more than 75 SAIs and, as such, they are perceived as 'mainstream' for SAIs (Azuma, 2008; INTOSAI IDI Development Initiative, 2014).

Noussi (2012) argues that INTOSAI's standards evidence a common understanding that SAIs have primarily an accountability purpose, rather than being merely oversight agencies or technical auditing offices serving Parliament. She analysed 11 of the ISSAI standards (omitting ISSAI 12), noting that ISSAIs emphasise constitutional accountability (Noussi, 2012; concurring with Pallot, 2003).⁵ In addition, Noussi (2012) found that INTOSAI standards expect SAIs also to partly 'guarantee democratic accountability and popular control' ("democratic accountability") and, especially through performance audits, to 'guarantee learning accountability and effective governance' ("learning accountability") (see Appendix 2, Tables A1 and A2).

2.1 Defining and measuring public value

Since the NPM⁶ reforms, the public sector has increased its focus on accountability, but also on: customers, performance measurement and management systems such as total quality management, cost improvements and pay-for-performance (Burgess & Ratto, 2003; Moore, 1995; G. Scott, Bushnell, & Sallee, 1990). Performance measures often

⁴ See <http://www.issai.org/2-prerequisites-for-the-functioning-of-sais/>. The other six prerequisite standards are: ISSAI10 *Mexico Declaration of Independence – Appendix*, ISSAI 11 *INTOSAI Guidelines and Good Practices Related to SAI Independence – Appendix*, ISSAI 20 *Principles of Transparency and Accountability*, ISSAI 21 *Principles of Transparency – Good Practices*, ISSAI 30 *Code of Ethics – Appendix* and ISSAI 40 *Quality Control for SAIs Implementation guidance and tools*.

⁵ In investigation 1 we noted that Pallot's accountabilities are consistent with agency theory explanations for audit. Pallot (2003) argues that constitutional accountability is wider than managerial accountability, such as Treasury might demand under a hierarchical or rational-instrumental public management viewpoint (e.g. Christensen et al., 2007). As can be seen from Appendix 1, Noussi (2012) adds "democratic" and "learning" to "constitutional" accountability.

⁶ New Public Management.

reflect concepts derived from the private sector, however, Moore (1995, 2013) argues that the public sector should develop its own definition of “public value”.

Specifically, the use of the for-profit measure, ‘revenue’, is problematic for public services that are provided free of charge, and for stakeholders that do not receive a dividend; accordingly few public sector benefits can be measured in revenue terms (Olson, Humphrey, & Guthrie, 2001). Further, the lack of a simple quantitative measure for benefits (such as revenue) makes the for-profit calculation of cost:benefit analysis difficult; requiring further measures to assess accountability and compliance with policies and procedures (Moore, 2013).

Moore (2013) also notes that using one measure of success (be it revenue, crime reduction, etc.) is problematic – firstly because singling out one measurement often omits the costs of delivering that measure, and secondly, as public entities are expected by various stakeholders to meet a number of goals. These goals include the effective and efficient delivery of social outcomes, fairness and justice (Moore, 1995; G. Scott et al., 1990). A rational management approach requires entities to report against specific targets linked to the objectives for which they are held accountable (Christensen, Lægreid, Roness, & Røvik, 2007). Nevertheless, difficulties in developing indicators and measuring have led to inadequate reporting of qualitative measures and vague outcome measures (Kloot, 2009; Lee, 2008; Moore, 2013; Pallot, 2003).⁷

As an alternative to measuring revenue, or ‘profit’, public entities often measure customer (or stakeholder) satisfaction (G. Scott et al., 1990). Yet, such surveys may not adequately reflect whose utility is to be maximised, nor the effect of public policy on those stakeholders (Moore, 1995). Further, public sector accountability may be reduced when equal significance is assigned to all stakeholders (for example, customers, employees, elected representatives, the public) (Moore, 1995). Instead, Moore (2013) argues the need for sustained and detailed discussions with citizens about what value is – highlighting that value is not merely represented by service quality (to individuals), but by performance against specific outcomes (affecting citizens in general). In addition

⁷ Other tools, for example adding contestability or establishing a quasi-market, are methods used to increase efficiency and public value (Pallot, 2003).

to engagement between citizens and public agencies, to ascertain the boundaries of public value, public agencies must also collaborate to deliver value.

Following Investigation 1, it could be assumed that public value for an SAI could include some or all of:

- a) monitoring (agency): that is, audits provide credibility to management reports. Such audits will focus on financial information, outputs and outcomes, and monitor the quality of the reporting;
- b) signalling the quality of the financial statements: audits by SAIs are an indication of high quality financial statements;
- c) providing ‘insurance’ against loss of reputation or money following decision-making from financial reports;
- d) organisational control: by making recommendations to improve systems and perhaps efficiency and effectiveness;
- e) confirmation hypothesis: providing a subsequent confirmation of unaudited announcements;
- f) managing public sector risk: as part of the organisation’s portfolio of risk management along with internal audits, audit committees, and independent directors;
- g) public benefits: by providing a useful audit function; and
- h) externality: by providing indirect benefits to the community (Hay et al., 2016).

Moore (1995, 2013) defines public value as being delivered from three points of a “strategic triangle”. These are the:

1. concept of public value to be pursued (PV) (see above for eight public value propositions identified in Investigation 1);
2. sources of legitimacy and support to sustain the entity over time (L&S); and
3. development and deployment of operational capacity to achieve the desired result (OC) (Moore, 2013, p. 12).

Public value cannot be delivered and reported on as a single concept, but as a combination of each of these strategic points. Considering these three aspects will enhance learning and development, and build the delivery of public value (Moore, 2013). To ascertain how SAIs add value, we analyse the reporting of SAIs against these three strategic points.

2.2 Categorising ISSAI 12 and its objectives

In this paper, we frame our analysis of value using ISSAI 12 (INTOSAI, 2013), and its 12 principles grouped into three different objectives for SAIs to make a difference in citizens' lives. In Table 1, these objectives and a further disaggregation (developed by the authors) provide a framework for this paper (see also Appendix 1). In addition, the authors assigned each category to one of Moore's (2013) strategic points.⁸ It can therefore be seen that 'SAI Independence' (1a) and 'building trust' (2b) are deemed necessary to ensure legitimacy and support (L&S) to sustain an SAI over time, that core concepts of public value (PV) include 'ensuring public sector accountability' (1b) and to 'independently and objectively supporting NPM reform' (3a), and that operational capacity (OC) to achieve this public value is evident in 'leading by example' (2a) and 'responsiveness and voice' (3b).

These categorisations are described in this section which reviews academic and professional literature to expand upon the issues in Table 1. The goal is to ascertain ways that SAIs could measure and report the value they deliver, in relation to ISSAI 12 (INTOSAI, 2013).

⁸ We recognise that these strategic points may overlap, but this categorisation should assist in defining public value.

Table 1: Objectives of ISSAI 12 and categories for the purposes of this paper

ISSAI Objective	#	Categorisation	Relevant ISSAI 12 Principles (ppl)	Moore's strategy
1. Strengthening accountability, transparency and integrity of government and public sector entities (ppl 1-4)	1a	SAI Independence	Safeguarding the independence of SAIs (ppl 1)	L&S
	1b	Ensuring public sector accountability	Carrying out audits on government and public sector entities (ppl 2), Reporting on results (ppl 4), Enabling public sector governors to discharge their responsibilities effectively (ppl 3 & s. 5.2)	PV
2. Being a model organisation through leading by example (ppl 8-12)	2a	Lead by example	Audit quality and ethics (s. 8.1, 8.3, ppl 10 & 11); Trained staff (ppl 12), Quality of governance (s. 8.4, 9.1 & 9.3)	OC
	2b	Building trust	Being trustworthy through transparent information and audit (8.4, 8.5, 9.2 & 9.4)	L&S
3. Demonstrating ongoing relevance to citizens, Parliament and other stakeholders (ppl 5-7)	3a	Independently & Objectively supporting reform	Credible source of independent and objective insight (ppl 7, s. 1.2, 3.4 & 5.5)	PV
	3b	Responsiveness and voice	Being responsive (ppl 5), Communicating effectively (ppl 6 & s. 1.1-1.3)	OC
L&S: Legitimacy and support; OC: Organisational capacity; PV: Public value				

2.2.1 *Objective 1: Strengthening accountability, transparency and integrity of government and public sector entities*

a. *SAI Independence*



Independence is critical to the effective operation of external audit, as can be seen by its emphasis in the Level 1 INTOSAI standard (founding principles) and by additional Level 2 standards on independence.⁹ SAIs should be independent of Parliament's Executive to ensure the audits are credible and meaningful. Independence is thus a source of legitimacy and support (Moore, 2013) to sustain a SAI over time. Key issues in independence are: processes (i.e. freedom to choose what to audit and when, what to publish) (Grasso & Sharkansky, 2001; INTOSAI, 2013, ppl 1), and institutional arrangements (i.e. constitutional or legislative independence of the SAI, a process for guaranteed funding, SAI control over staff). Pollit and Summa (1997) note the emphasis on independence in their analysis of the annual reports and information documents of four national SAIs and the European Court of Audit (ECA). In respect of funding, some believe audits should be co-funded by auditees, whilst many others believe the costs should be part of core government appropriations (Lovell, 1996). This may be especially relevant to Liu and Lin's (2012) study in China where, the more corruption in a province, the more irregularities the public auditor found. If corrupt entities were instead to fund the auditor and there were no safeguards regarding the allocation of the auditor, the corrupt entities could force a reduction in audit quality, thus reducing the irregularities found.

While Normanton (1966) states that auditors risk their independence by reviewing public policy, some argue that the principle is breached when performance audits evaluate the substance of programmes (Barzelay, 1997; Gendron, Cooper, & Townley, 2001; Grasso & Sharkansky, 2001). For example, Grasso and Sharkansky (2001), in their analysis of SAIs in the US (General Accounting Office (GAO)) and Israel (the State Controller), stated there was growing pressure for SAIs to deal with politically sensitive issues (such as policy debates). In addition Czasche-Meseke (1995) notes in the German case, that it is a 'fine line', and unavoidable that sometimes the most carefully worded reports become caught in the political cross-fire.¹⁰ Indeed, Grasso and

⁹ See <http://www.issai.org/> for details of each standard.

¹⁰ Mulgan's (2001, p. 25) analysis of Australian Auditors-General finds that "open clashes with government, however, are exceptions rather than the rule", with confrontations limited mainly to

Sharkansky (2001, p. 1) argue that the purist conception of independence is obsolete and that objectivity is required instead, with it being “more realistic to urge diligence on the part of the supreme auditor”. This is evident in Jantz et al.’s (2015) analysis of performance reports from SAIs in Denmark (6 reports), Norway (6 reports) and Germany (7 reports), as only one criticised policy. Therefore, and following the growth of audit and integrity checks (C. Scott, 2003), Wilkins (2015) suggests that, instead of independence, SAIs of the Westminster tradition could transform to a fourth branch of Parliament to undertake ‘core watchdog’ activities.¹¹

Barrett (1996) confirms that the more an SAI establishes its independence from government and/or particular interest groups, the higher the value it will deliver. For example, using data from US State auditors, Schelker (2008) finds that the more independent the auditor appointment (i.e. whether by the legislature or elected by citizens), the higher the quality of the legislature’s audited financial statements. Further, in a study commissioned by the Victorian Auditor-General’s Office, Robertson (2013) analysed New Zealand’s and Australia’s SAIs, as well as the Auditors-General of each Australian state, on the extent to which legislation protects these Auditors-General from Executive influence. Sixty key factors linked to the eight ISSAI principles of independence (INTOSAI, 2007) were ranked from 0-10, with New Zealand scoring the highest (a score of 338) in both 2009 and 2013, and being cited as a “clear leader” particularly in respect of the SAI’s managerial autonomy and financial independence (Robertson, 2013, p. 42). Nevertheless (and of particular interest to this study and ISSAI 12 s.8.5 (Objective 3b)), New Zealand scored zero due to the lack of a statutory requirement for a periodic review of the SAI, and poorly (4/10) for whether the Parliamentary Committee holds the SAI to account (Robertson, 2013, p. 12). In

matters of process and probity, as opposed to efficiency and effectiveness. Barrett (2002) notes it is a particular challenge and, occur when policy and implementation are difficult to separate. When his Office undertook performance audits on property sales and IT outsourcing, they elicited ‘significant comment’ (Barrett, 2002). In her analysis of PPP audits in Australia, English (2007) distinguishes between system-based audits and substantive audits that critique the effectiveness of policy implementation. These latter are infrequently undertaken, with English (2007) noting they may not only impair the public auditor’s independence, but that also the auditor may find it difficult to access and/or report on confidential information relating to PPP contracts. This was also a concern in the UK when the NAO undertook performance audits of entities for which it did not audit the financial statements (Bowerman, Humphrey, & Owen, 2003).

¹¹ Scott’s (2003) argument is that key players would be unlikely to be aligned. Further, Gay and Winetrobe (2008) discuss the difficulty that separate watchdogs have with visibility. They note that “distancing MPs from the running of constitutional watchdogs is unlikely to improve their powers of scrutiny” (Gay & Winetrobe, 2008, p. 14).

Australia, Parliamentary Committees are commonly involved in periodic reviews of Auditor General's efficiency and effectiveness, and in all states except South Australia and Tasmania, there is some level of statutory requirement for a performance review (Robertson, 2013). We make a recommendation later in the report that New Zealand should investigate change to address the lack of a requirement for periodic review.

Robertson's (2013) study was of Westminster model auditors-general, but Blume and Voigt's (2011) cross-country assessment of the value added by SAIs uses the World Bank (2001) classification which describes three different SAI structures, which are the:

- i. Napoleonic model - a court with judges focused on *ex ante* audits, but with little Parliamentary involvement;
- ii. Westminster/monocratic model with the SAI reporting to a Public Accounts Committee and more of a focus on financial aspects than the Napoleonic model; and
- iii. Collegiate/Board model which is similar to the Westminster model but is headed by a Board rather than a single Auditor-General.¹²

Of the 40 SAIs for which Blume and Voigt (2011) obtained data on structures, 11 were established on the Napoleonic model and 29 operated either under the Westminster or Board models. Noussi (2012) finds that the Napoleonic model yields weaker SAIs than the Westminster or Collegiate models.¹³

Within this categorisation, Norton and Smith (2008) note that what is important is to whom the SAI reports and its powers to enforce law. They believe the power of the US GAO to call members of the executive to account (over issues of appropriation) and to institute legal proceedings, makes it more effective than the UK equivalent. There, the National Audit Office (NAO) reports to the Public Accounts Committee (PAC), which reports separately.¹⁴ This suggests that independence is important, but so too are other

¹² Noussi (2012) adds a fourth from the IDI Stocktaking report: the ministry model where auditing is part of the executive's tasks.

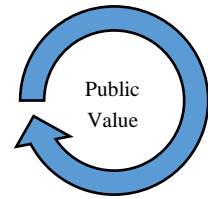
¹³ Nevertheless, in her analysis of Open Budget Survey data, Noussi (2012) also finds that SAI strength can be explained by it having a strategic plan, by a large number of staff (which may mean there are adequate resources), by country aspects such as political competition, having a low share of oil endowments, being politically free and having high direct taxation as a percentage of national income, independent judiciary, no political killings, and high levels of economic diversification.

¹⁴ New Zealand is similar to the UK in this respect.

attributes, such as ‘who is the SAI’s client?’ (Lovell, 1996). ISSAI 12 (INTOSAI, 2013) takes the view that, in addition to auditees and Parliament, citizens and the public are also clients. Thus, delivering public value is important. There are further differences in SAI’s activities. While in New Zealand the OAG is responsible for all audits in the public sector, in some other countries (including the US and the UK) the SAI is concerned with only the federal government and other entities such as local government have alternative arrangements.

b. Ensuring public sector accountability

Moore (2013, p. 86) notes that, in addition to elected representation “... the threat of audits create[s] a powerful, continuous current of accountability that runs through public agencies”.¹⁵ It is axiomatic that public sector accountability is a key outcome of an SAI’s public value.



Indeed, the Open Budget Survey 2015 (International Budget Partnership, 2015 (IBP)) states that countries with strong formal oversight systems (i.e. SAIs), budget transparency and public participation, will have efficient, effective and accountable budget systems. They note an independent SAI’s role “is to scrutinize the use of public funds, diagnose potential problems, and propose solutions” with legislatures “using audit recommendations and analyses to hold the executive to account” (IBP, 2015, p. 51), suggesting a concept of public value.

There is a strong linkage between ensuring public sector accountability and SAI independence (see prior section). The IBP (2015) uses four indicators to measure SAIs’ strength in ensuring public sector accountability (i) independence from the executive (based on security of tenure (ISSAI 12, s. 1.2) and who determines the SAI’s budget); (ii) level of discretion on work plan (see also ISSAI 12 ppl 1); (iii) whether the SAI has an independent quality control system to assess the quality of their Audit Reports (see also ISSAI 12 s. 11.6); and (iv) whether the SAI has adequate resources (see also ISSAI 12, s. 1.8). The average score across the 102 countries was 61/100, with 59 (58%) deemed “adequate” (score of 61 or greater), 29 (28%) were “limited” (score between 41 and 60) and 14 (14%) were “weak” (score of 40 or less) (IBP, 2015).¹⁶

Friedberg and Lutrin (2005, p. 4) note that “audits are a vital part of the checks and balances on the governmental budgetary process”, preventing fraud and waste, and checking probity and legality. The OECD (2000) found that the vast majority of countries use SAIs for these audits, with a small minority using internal auditors only. Audit benefits have led various US State legislatures to require performance audits, including in Ohio where the citizens voted to apply a percentage of State Sales tax to funding such checks (Raaum & Campbell, 2006; Schultz & Brown, 2003). Consequently, Blume and Voigt (2011) further argue that effective SAIs should be able

¹⁵ Yet, he also notes that “the daily swirl of democratic politics is both powerful and problematic” leading to demands from interest groups, citizens and the media (Moore, 2013, p. 88).

¹⁶ New Zealand scored 88 for its budget transparency, 92 for its SAI, 65 for public participation and 45 for oversight by legislature (IBP, 2015, p. 72).

to reduce corruption compared to countries where SAIs are not effective, utilising the Corruption Perception Index from Transparency International to measure the levels of corruption in different countries.¹⁷ They find that “if a SAI is modelled like a court, the country is more likely to suffer from higher levels of corruption than if the country’s SAI is not modelled like a court” (i.e. a Napoleonic model) (Blume & Voigt, 2011, p. 234). This was the only significant correlation in their study.¹⁸ Many of the measures used by Blume and Voigt (2011) such as tax rates and economic growth are influenced by many other factors as well as auditing. The OECD (2000) notes that whistleblowing laws and other means for public servants to report fraud can be useful, along with codes of ethics and standards for behaviour.

Santiso (2015) also notes that SAIs are weaker at ensuring public sector accountability when they have weak relationships with their Parliament (in its role as a scrutiniser with budgetary powers). A lack of Parliamentary technical capability to scrutinise is a further factor (Santiso, 2015). Thus, ISSAI 12 (INTOSAI, 2013 s. 3.1-2, 3.-5) states SAIs should develop relationships, provide information and assist Parliamentary oversight committees to take appropriate action.

Reichborn-Kjennerud and Johnson (2015) and Raudla et al. (2015), provide examples of how the Norwegian SAI enhances accountability, by working with others. In respect of changes it recommends from its audits, these are likely to be effected: (i) if Parliament measures auditees against these aspects, (ii) when Parliament holds its ministers accountable for these aspects, and (iii) when the auditees believe the recommendations will improve their systems (Reichborn-Kjennerud & Johnsen, 2015). Reichborn-Kjennerud and Johnson (2015, p. 17) argue that accountability pressures are the largest drivers of change, and that change “is an important demonstration of the effectiveness of the Norwegian SAI”.

¹⁷ Blume and Voigt (2011) use the OECD/World Bank Budget Practices and Procedures Survey from 2003 and data from Transparency International, while Noussi (2012) compares and contrasts the former, the Global Integrity Reports, Public Expenditure and Financial Accountability (PEFA) Assessment Reports, the INTOSAI Development Initiative Stocktaking Report 2010, and the Open Budget Survey 2010. Due to incomplete data in the first four, she found that the Open Budget Survey gave the best results.

¹⁸ This is surprising, given that “what Napoleon I wanted to do in undertaking his sweeping financial reform was to establish the kind of control that would prevent corruption and ensure compliance with financial rules [which were rather rudimentary at the time]” (Morin, 2011, p. 729). However, Napoleon’s greatest talents might have been in other fields apart from public sector auditing.

In a survey of Mexican citizens about their Superior Audit Office (SAO), 77% stated that it is important for public institutions “to be held accountable and act with transparency” (p.16), thus highlighting this as a measure of the SAO’s public value. Specialists such as MPs, auditees and the media were more emphatic, with 83% stating accountability was “very important” (González de Aragón, 2009). In addition, more than two-thirds of respondents believe the SAO’s recommendations have helped to improve government processes, and 75% agree that the SAO is collaborating in the fight against corruption (González de Aragón, 2009).

Another example of accountability as a measure of public value is evident from the UK, where the NAO is responsible for ensuring that country’s government bodies are accountable for their economy, efficiency and effectiveness. In doing so, the NAO reports that it saves taxpayers millions of pounds a year, possibly leading to lower government spending, lower tax rates and/or lower government deficits (Blume & Voigt, 2011; Pollitt & Summa, 1997; Talbot & Wiggan, 2010).¹⁹ In respect of performance audits, the NAO values: (i) financial savings from efficiency improvements and waste minimisation; (ii) non-financial savings such as reduced waiting times or greater outputs; and (iii) qualitative aspects such as better planning or objective setting (Talbot & Wiggan, 2010). (Barrett (1996) recommends that SAIs should also monitor costs they impose on other entities.) While the Canadian State auditors do not value dollar savings explicitly, Gendron et al. (2001) note that the public remains concerned about a lack of probity and mismanagement, such as SAIs highlight in ‘regular’ audit reports, showing the public values SAIs’ accountability role.

In an early paper on this topic, Wilkins (1995) agrees that it is difficult to find an objective measure of how SAIs increase accountability. He suggests surrogate measures such as rating by the auditee and “other relevant third-party observers of the audit offices’ contribution to public sector accountability” (Wilkins, 1995, p. 429).

¹⁹ Scott (2003) notes that Australia does not measure such savings, due to concerns about the calculation methodology. However, Azuma (2004, p. 72) provides evidence that the ANAO reported the “ratio of financial benefits from performance audit products, including savings, compared to the full cost of outputs” as 10:1 in the financial year ended 2002, and that the United States’ GAO also reports “profits and savings achieved thanks to the GAO’s findings and recommendations” (p.95). Nevertheless, Talbot and Wiggan (2010) note that the NAO is unusual in valuing benefits in dollar terms. (See also Chapter 3.)

ISSAI 12 (INTOSAI, 2013 s. 2.4, 3.2 & ppl 4) emphasises the need not only for SAIs to ensure entities' accountability through audit, but also to report the audit results. The institutional environment affects SAIs' ability to report (for example; whether there is freedom of press, whether the NGO sector can play a role in disseminating important reports) (Blume & Voigt, 2011). Robertson's (2013) analysis of legislation in New Zealand and Australia, scored the SAIs and State Auditors-General highly in respect of their rights and obligations to report on their work, and discretion over the content of those reports.

Nevertheless, in a report on the IBS 2009 Open Budget Survey, Ramkumar (2009) finds that:

- 27/85 surveyed SAIs do not make audit reports publicly available, and six do not produce audit reports at all; and
- 48/85 surveyed SAIs fail to release audits of extra-budgetary funds, 30 do not do so within two years, or they do not undertake these audits at all.

Written reports are not the only means by which the message of an audit is communicated, with for example, the US' GAO reporting the number of times staff had provided testimonies at congressional hearings (Azuma, 2004). Reporting on others' accountability will ring true only when the SAI itself is accountable for its own actions.

2.2.2 Objective 2: Being a model organisation through leading by example

a. Leading by Example



Following the need to be established as an independent entity with an appropriate mandate and funding, and to ensure public sector accountability, an SAI must “be a model organisation through leading by example” (INTOSAI, 2013, p. 9) and, in effect, applying the same criteria to itself as it does to its auditees (Pollitt & Summa, 1997). In terms of Moore’s (2013) strategic triangle, this is a key operational capacity which will enable an SAI to achieve its desired result.

The use of appropriate audit standards, complying with codes of ethics and having well-trained staff are all important for operational capacity (INTOSAI, 2013 ppl 8-12). SAIs often report on these aspects. For example, Pollitt and Summa (1997, p. 325) note that the French SAI (the Cour des Comptes) emphasises the “high qualifications and extraordinary status of its audit staff” who are magistrates with post-graduate qualifications.²⁰ Further, the UK’s NAO highlights staff’s continuous training, and thus the functionality of their work (Pollitt & Summa, 1997). In Canada, Alberta’s Auditor-General accentuates the number of senior staff serving on government task forces, which is seen as an expression of confidence in the Office (Gendron et al., 2001).

Important aspects of this objective are maintaining currency with audit techniques and delivering quality. Indeed, the European Court of Audit’s (ECA) work and reports, have been criticised as lacking in this regard (Groenendijk, 2004). Further, the ECA does not publish performance data, does not subject itself to independent review, and has been described as a “top-heavy bureaucracy” (Groenendijk, 2004, p. 709). As it audits other countries, the ECA is expected to lead by example. Leeuw (2011) warns that bureaucratic processes focused on ‘box-ticking’ may impede innovation, as well as concentrating on short-term achievements, rather than long-term policy objectives.

New audit techniques include the increasing use of service user surveys, focus groups and outside interest groups which, Talbot and Wiggan (2010) state, increase the robustness of audit and thus, its value. In addition, in respect of performance audits, Arthur et al. (2012) report how the Norwegian Parliament expects that country’s SAI

²⁰ Nevertheless, the fact that they are judges, means that audit processes may be quite different from those in SAIs modelled along Westminster or Collegiate/Board lines (Morin, 2011).

to examine whether users are satisfied with government services. Thus, the Norwegian SAI has conducted surveys of employers, victims of crime, undertaken focus groups, observed disabled people, and interviewed dementia sufferers' next-of-kin. Arthur et al. (2012) state that the assessments made by Norway's SAI have contributed to debate, and resulted in government services which are more likely to meet users' needs.

Further measures of leading by example are provided by Gendron et al. (2001) who analysed how the Auditor-General of Alberta highlights the speed with which it completes its annual report, how many of its recommendations are accepted by government, the costs of audits and number of recommendations in each.²¹ Reporting on costs and activity are also evident in Pollitt and Summa's (1997) study of the UK, Swedish and Finnish SAI's reports. Further, Pollitt and Summa (1997, p. 317) note that the UK's NAO not only reports that its costs per audit have decreased,²² but that it also "undertakes internal quality reviews of its work using independent quality panels and surveys of audited bodies to seek their opinions of the usefulness of NAO activity".

Productivity (activity) was also the variable utilised for value by Melo et al. (2009) in their analysis of 31 State Courts of Audit in Brazil. ISSAI 12 (INTOSAI, 2013 s. 8.4) relates productivity to being efficient, and Melo et al. (2009) find that the productivity of these institutions is positively correlated to budget size and the presence of an independent career auditor (as opposed to a crony). Political uncertainty is negatively correlated to productivity (Melo et al., 2009), suggesting that when voters are not committed to a particular government, they are less likely to call for its accountability. While the relationship between productivity and budget size is positive, budget size is negatively correlated to the probability of rejection of the legislature's accounts, suggesting that, in the Brazilian case at least, budget size can impair independence (Melo et al., 2009). On the contrary, it could be argued that governments which are more willing to invest more into audit are more prepared to be scrutinised, and that 'big governments' have better systems than 'small governments', and prepare better financial statements in the first place.

²¹ In 2009 the Open Budget Survey noted that only 15 SAIs released their annual report within six months (Ramkumar, 2009) and in 2015, when the IBP (2015) reduced the time from 24 months to 12, fewer SAIs reached that benchmark (66 instead of 68). Nevertheless, the OECD (2000, p. 64) notes "the majority of OECD countries publish the external audit reports routinely".

²² This may not be a good thing of course, especially if it impairs the achievement of objectives.

Publication of an annual report and annual plan are measures that Azuma (2004) suggests not only enable the SAI to lead by example, but also to express the outcomes the SAI is working towards and outputs it has produced. For example, he reviews strategic plans, annual plans, budgets and annual reports published by SAIs from Australia, Canada, New Zealand and the US. He summarised their objectives (outcomes), management performance indicators and targets, linkages of outputs to outcomes (and intermediate outcomes), and how they measured these (Azuma, 2004).²³ These show the SAI's views of the public value that they can add when they have legitimacy and support.

²³ In Australia and Canada the outcomes sought are similar: to improve the administrative management of the federal government; and to ensure the accountability of the federal government, while New Zealand's were: to maintain the integrity of financial and non-financial performance reports, to promote the better use of public resources and to make lawful payments from public funds. The United States' GAO's strategic goals included accountability of federal government, but also sought to enable government to respond to challenges of global interdependence and those associated with the well-being and financial security of Americans (Azuma, 2004).

b. *Building trust*



Building stakeholder trust in the SAI is an important aspect of the objective of leading by example (see (a) above), in order to ensure ongoing legitimacy and support to sustain the SAI over time. In the UK, Talbot and Wiggan (2010, p. 55) note “trust and legitimacy are central to the functioning of the NAO ... [facilitating] the necessary co-production in the audit process”.

In line with the need to subject themselves to external scrutiny (INTOSAI, 2013 s. 8.5), Barrett (1996) comments favourably that auditors-general/SAIs increasingly seek to meet quality councils’ accreditation requirements, to have independent reviews by PACs, ex-auditors-general, private accounting firms, or other SAIs/auditors-general. Early results of a survey undertaken by the Mexican SAI into operationalisation of ISSAI 12 show that peer reviews are being undertaken regularly around the world. In addition, many SAIs have independent audits of their own annual reports (Wilkins, 1995).

However, Clark, De Martinis and Krambia-Kapardis (2007), note that only two out of 26 European SAIs are required to have performance audits of their own activities, while for others the legislation is silent. There is a danger that Parliament could use the audit results to undermine the SAI’s independence, by criticising it unnecessarily (Funnell, 2015). Nevertheless, it is incumbent on SAIs to build trust in their operations.

Yet, the role of audit in building trust is complex. In essence, the need for surveillance (audit) undermines trust, but it increases confidence (and therefore trust) in those that cannot observe an entity’s activity directly (Lovell, 1996). As such, when it increases efficiency and effectiveness and rewards such values, audit works with other functions in a democracy (such as PACs in a Westminster SAI), to build trust in government and the public sector. Hence, there is a need to ensure that the measures SAIs use to ensure of public accountability (see section 2.2.1(b)) are appropriate benchmarks of performance, and not just those that are most easily measured (Lovell, 1996).

The OECD (2013) analyses trust in governments in 2012 and how it has changed since the global economic crisis in 2007. It notes that “national averages rank between almost 80% in Switzerland and 12% in Greece” and that these are affected more by cultural

inputs than standards of living (OECD, 2013, p. 25).²⁴ Nevertheless, Alon (2007) warns that high levels of public trust can fall when an SAI's reputation is damaged.

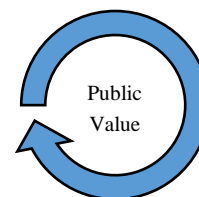
There are also debates about whether citizen participation is a measure of trust, with the only measure used to date – voter turnout – found not to be correlated to trust in government (OECD, 2013). Further, while the surveys used as data by the OECD (2013) asked about specific aspects of government, they do not ask about SAIs, making it difficult to measure the impact of trust in an SAI on trust in government. Nevertheless, the OECD (2013) notes that confidence in government is negatively correlated to the perception of government corruption – an issue that SAIs can impact. The OECD (2013) reports it is developing a “Trust Strategy” to provide data and projections and enable governments to improve citizens' trust in its institutions.

In respect of building trust in the voting public, James and John (2007) utilise the UK's Audit Commission's performance measurement for local authorities, and show that information from these independent auditors is more trustworthy than that from politicians. The publication of ratings affected voting, especially in local authorities with poor performance ratings, where it resulted in new, more homogeneous local representation (O. James & John, 2007). This finding was similar to Schelker's (2008) study of State auditors from the US, that the stronger the auditor, the less likely voters would elect a divided State government, as they believed the auditor would act as a control (which an otherwise active opposition would wield). One way to build trust in an SAI and government is to support reform where it is needed (but not to excess).

²⁴ New Zealand's score for “trust in government” was over 60% and showed a slightly positive change from 2007 – this was higher than trust in financial institutions (~40%) and the media (~50%), but the same as trust in the judicial system (OECD, 2013).

2.2.3 Objective 3: Demonstrating ongoing relevance to citizens, Parliament and other stakeholders

a. Independently and Objectively supporting reform



Principle 7 of ISSAI 12 calls for SAIs to be “a credible source of independent and objective insight and guidance to support beneficial change in the public sector” (INTOSAI, 2013, p. 9) and, mapping this against Moore’s (2013) concepts, it is seen that such support is a core public value.

As performance audits aim to improve public sector management (Arthur et al., 2012), ISSAI 12 (INTOSAI, 2013, ppl 3) suggests that public sector governors should respond to SAIs’ recommendations and take corrective action. Thus, a common measure of value is to report on recommendations accepted and acted upon (Gendron et al., 2001; INTOSAI, 2013, s. 3.6). In encouraging reforms, learning is prioritised (a cultural-institutional perspective), rather than the strict accountability (a rational-instrumental perspective) (Christensen et al., 2007; Raudla et al., 2015; Reichborn-Kjennerud & Johnsen, 2015). This recognises that SAIs’ relationships with auditees are frequently non-hierarchical and such recommendations require negotiation and compromise (C. Scott, 2003). Thus, Reichborn-Kjennerud and Johnson (2015) find that the Norwegian SAI’s audits were effective when the auditees had already planned to make the recommended changes²⁵ (specifically these were performance reports). This was similar to the Dutch experience studied by Van Der Meer (1999). Nevertheless, Reichborn-Kjennerud and Johnson (2015) did not find support for the other cultural-institutional perspective factor, which was that auditees’ changes would be more dramatic depending on their agreement with the SAI’s recommendations.

Blume and Voigt (2011) recommend (as does s. 7.4 of ISSAI 12) that SAIs should assess whether they contribute to improvements in the public sector, keep track of the implementation of these recommendations and publish this data. Of the 29 SAIs for which they had monitoring data, 14 did so fully (with 11 having a partial tracking

²⁵ Nonetheless, Raudla et al. (2015) suggest that when the auditees are aware of the challenges, they may have already put measures in place to correct them and that this may lead to no further changes being made (and thus reduce the value they place on the audit). This shows the complexity of measuring auditees’ perceptions of the change catalyst.

system/not publishing the data) (Blume & Voigt, 2011). This is one way in which to analyse effectiveness of support for reform.²⁶

However, Morin (2001) states that it is simplistic to measure the success of an audit on merely the acceptance of recommendations. Indeed, in a later study of the Estonian SAI, Raudla et al. (2015) reported that only 21% of the surveyed auditees agreed that a performance audit had led to their organisation adopting recommended changes, but 40% believed the performance audit had been useful. Examples from the UK and the Netherlands report ‘success rates’ of between 67% within three years and 90-100% overall, Australia has 91% and the US from 72-83% (Azuma, 2004; Lonsdale, 2000).²⁷ In Israel, the Prime Minister and auditees must respond to defects highlighted in an audit and the corrective action they will take (Alon, 2007). However, Alon (2007) notes that most audits are undertaken ‘after the act’ and do not include recommendations, therefore corrective action may take some time, or may not happen at all (Milgrom & Schwartz, 2008). Such variances in taking action may occur if, as suggested by Brown and Craft (1980, p. 261) “the picture, instead, is one of the auditors and evaluators revealing to legislative and executive officials what they suspected but did not know for certain, or what they already knew but could not document”.

Given her scepticism about the usefulness of one measure, Morin (2001) developed a multi-measure schema for performance audits based on a number of behavioural factors: the perceptions and reaction of the auditees, the impacts of the performance audit, and the extent of public debate arising from the public report. This no doubt was influenced by the Dutch study by De Vries reported in Van Loocke and Put (2011), which found that changes were more likely to occur when auditors and auditees shared similar ideas. Morin (2001) applied her schema to six performance audits carried out by the Auditors-General of Canada and Quebec, gathering data from 81 interviews (41 with auditees, 38 with auditors and 2 with representatives from Parliamentary bodies in

²⁶ In 2009, the IBP found that 17 countries had no follow-up of recommendations, there was minimal follow-up in 20 countries and in 64 countries “the executive did not reveal what steps, if any, it had taken to address audit recommendations” (Ramkumar, 2009, p. 12).

²⁷ Context will be important. For example, Hasan et al. (2013) describe a continuous improvement rating scheme in UK local authorities, which was rated under Audit Commission principles (by the Audit Commission or a private sector auditor) and led to many changes to meet “best practice”. However, Hatherly and Parker (1988) suggest that State Auditors-General had less success in their local authority audits in Australia.

Quebec and Ottawa). The full schema of the 14 performance indicators and 11 factors of success is provided in Appendix 3.

Etverk (2002) modified Morin's (2001) framework to analyse three performance audits conducted by the State Audit Office of Estonia, from the perceptions of 17 interviews across the relevant auditees and auditors. She found that, due to the relative newness of performance auditing in that country, auditees were less familiar with SAI staff being 'consultants' (who would try to influence auditees by persuasion and discussion), and yet viewed these performance auditors more positively than traditional auditors who were perceived as 'watchdogs' (Etverk, 2002). The Estonian SAI sought to prove it was useful, whilst retaining its independence. The modifications of Morin's (2001) framework and the scoring used by Etverk (2002) are also provided in Appendix 3 (on the right hand side of Tables A3 & A4).

Auditees value audits when they can influence the process, and agree with the reports (Morin, 2011; Reichborn-Kjennerud, 2013).²⁸ Yet, Noussi (2012) argues that if the SAI overvalues auditee relationships, they risk their independence and could impair their accountability role, thus highlighting the difficulty with measuring public value. Noussi (2012) therefore calls for SAIs to engage with the public, widening the relational net and, more importantly, raising awareness on the potential benefits of public audit for public accountability.

The role of an SAI as an influencer is highlighted in ISSAI 12 (INTOSAI, 2013, s. 3.4-5), emphasising the need for an SAI to develop relationships to ensure change (s. 3.5), to motivate key stakeholders (s. 3.3), and to provide good practice guidance (s. 3.4).²⁹ A key group of auditees with whom SAIs are recommended to develop relationships and to motivate, are public sector internal auditors. Bowerman and Hawksworth (1999) surveyed 47 chief internal auditors in UK local government as to the usefulness (value) of the Audit Commission's reports, including best practice guidance. The findings were mixed, with 34% stating the findings were useful, 30% variable, and 32% of very limited use (4% did not answer this question). However, 62% agreed that "the information is useful as a starting point for more detailed work, but that there are

²⁸ Unfortunately, auditees do not place a higher value on reports that aid learning than those focused on accountability (Reichborn-Kjennerud & Johnsen, 2015).

²⁹ See Appendix 3, Table A3, for Morin's (2001) and Etverk's (2002) categories of influencing success factors.

concerns about the consistency of the data”, given poor data collection systems (Bowerman & Hawksworth, 1999, p. 401).

Gendron et al. (2001) studied two decades of reports from the Office of the Auditor-General of Alberta, finding that they were now more likely (than in the past) to identify opportunities and propose solutions, to offer help to auditees, use dramatic examples for benchmarking (including drawing on international examples), and congratulate public servants and government. These are persuasive and influencing tactics for auditors, who Gendron et al. (2001) note, have become ‘problem-solvers’.

Morin (2014) re-visited her study of influencing, by analysing the impact of performance audits on six Canadian administrations from 2001-2011. She notes: “the overall impact of [Auditors-General] on the management of the entities audited, as perceived by respondents, is 4.2 on a seven-category Likert scale (for all administrations combined)” suggesting the auditor’s influence is “far from pronounced” (Morin, 2014, p. 397). Specifically, the mean score was 3.5/7 for “improvement of management”, but 1.5 for “deterioration of management” (Morin, 2014).³⁰ While she surveyed 87 auditees, Morin (2014) acknowledges that Public Accounts Committees, news media and politicians will also mediate the impact of an audit.³¹

An analysis of legislative evaluation officers in the US by Vanlandingham (2011) includes officers using Government Auditing Standards (GAS) and also those using other US-based evaluation standards. Dissimilar to Johnston (1988) which showed auditors’ recommendations being accepted at a higher rate than those of evaluators, Vanlandingham (2011) finds that evaluators’ reports are preferred. Additionally, he

³⁰ Twelve of the 19 scores measuring specific factors in “contribution of the performance audit” were greater than 3.5, six of the 17 factors measuring “usefulness of auditors’ reports” were scored at equal to or greater than 3.5, the global mean of “relevance of auditors’ recommendations” was 5/7, five of the seven factors scoring “preventive effect” scored over 3.5, eight of the 13 factors for “influence on management practices” scored at 3.5 or greater, none of the nine factors measuring “concrete actions taken following performance audits” scored over 3.5 (global mean 2.4/7), all of the ten factors measuring “relations with stakeholders following performance audits” scored 3/7 or less, but negative consequences were not evident with a global score of 2/7 for the organisation concerned and between 1.4 and 2.8 for the 14 listed personal consequences (Morin, 2014).

³¹ Morin (2008) also used a five-category Likert scale to assess the extent to which auditees believed the Auditor-General of Quebec had improved public management through its VFM audits from 1995 to 2002. She found that the VFM audit was likely to initiate change (mean 2.77/5), to be a surrogate whistle blower (2.68/5) and to be a reference instrument (2.74/5) (Morin, 2008). Actions of the Public Accounts Committee and the media enhanced the effect of the audit report (Morin, 2008).

reports that when States have legislative requirements to include recommendations in reports, implementation is more likely (than in those States where no such legislation existed), but the standards used also drive behaviour. Specifically, auditors using GAS are “less likely to regularly meet with legislative stakeholders or provide readily actionable products”, reducing the perceived value and impact of their work (Vanlandingham, 2011, p. 90). While the auditors could argue that stakeholder engagement is carefully managed through adherence to auditor independence, and that this results in objective and credible reports, the senior legislative staff in Vanlandingham’s (2011) study rate objectivity of reports for evaluators following GAS (i.e. auditors) at a mean of 4.22/5, which was lower than the rating of evaluators following other research standards who had a mean of 4.44/5.³²

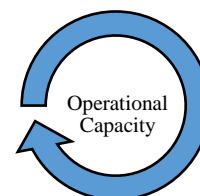
An emphasis on behavioural aspects of audit is part of the change brought by ongoing public sector reforms, with James and Davies (2004, p. 18) noting that ‘open government’ is likely to bring auditors closer to auditees and the public, and requires a “modernised, joined-up approach to a modernised, joined-up public sector”.³³ In this way, SAIs can also respond to relevant issues (INTOSAI, 2013, s. 5.2). As noted previously, performance audits focused on accountability emphasise the rational-instrumental perspective, and those focused on learning, the cultural-institutional perspective (Raudla et al., 2015; Reichborn-Kjennerud, 2013; Reichborn-Kjennerud & Johnsen, 2015). Yet, Raudla et al. (2015) found in their Estonian study, that fewer than 10% of the auditees they surveyed considered performance audits as being engagements through which entities were held accountable for their actions.

While examining auditee feedback is a measure of ‘client satisfaction’ and therefore part of the public value chain (Moore, 2013), it is not a complete measure of the benefits of an SAI or the outcomes the public expects. A further way in which ISSAI 12 (INTOSAI, 2013 s. 1.2, 7.3 & 7.5) recommends that SAIs deliver value, is to contribute internationally. The global benefits of this are shown in Noussi’s (2012) study, as she found that countries were more likely to implement reforms if there is strong regional influence by good performers. However, surprisingly, she found that, holding all other

³² He does not note whether this was statistically significant. Nor does he note whether these State officers are elected or appointed by the legislature and what impact this has on their evaluations.

³³ James and Davies (2004) identify the establishment of the Public Audit Forum in the UK as a means by which the NAO, the Audit Commission, the Northern Ireland Audit Office and the Accounts Commission for Scotland, could contribute to this ‘joining-up’.

variables constant, the SAIs in countries belonging to the Pacific region (PASAI) are the weakest (Noussi, 2012).³⁴ Respondents to the Mexican SAI's survey also noted that seconding auditors was a good way to “exchange experiences in a professional manner”.



b. Responsiveness and voice

Finally, ISSAI 12 (INTOSAI, 2013 s. 6.4) emphasises the media's role “to facilitate communication with citizens” which could be seen as an operational capacity (Moore, 2013) to achieve public value. Maximising media coverage is considered important, especially as, notes Dye (2009, p. 8), “Parliamentarians around the world, tend to be media junkies”. Indeed, Alon (2007), in an experiment, found that the media were able to identify and rectify issues in almost as many scenarios as auditors, although the scope of the media's changes was smaller. One measure of public value may therefore be where the issue arises from (media or SAI), but a more common measure is the number of media releases, or the amount of media activity following audits (Bringselius, 2014; Lonsdale, 2000).

Nevertheless, Raudla et al. (2015, p. 14) notes that media attention by itself does not lead to change in audited organisations, but the media's role becomes significant when it leads to “political debate and increased pressure from the opposition”. Thus, Lonsdale (2000) finds that the Dutch SAI monitors and reports whether their work has been mentioned in the Budget Bill, whether its auditors are invited to present a report to a Standing Committee, and whether Members of Parliament (MPs) press ministries to take the recommended actions.

It has been suggested that developing relationships with media could impair SAIs' independence, however, Bringselius' (2014) Swedish example shows that such relationships are necessary when there is no statutory requirement for Parliament to

³⁴ Noussi's (2012) study utilises the Open Budget Report data and excludes New Zealand because of missing data for the dependent variable and Australia for the same reason, further noting that it primarily associates itself with ASOSAI. However, the IDI Report, finds no statistically significant differences, although the order is that the CREFIAF region (representing Francophone African countries) is correlated with the weakest SAIs followed by CAROSAI (Caribbean Organization of Supreme Audit Institutions) and then PASAI. ARABOSAI is the second strongest category, whereas it was the second weakest in the Open Budget Report data (Noussi, 2012).

respond to audit reports. In her study, the SAI emphasised its independence by omitting to report on unspectacular findings from audits, and being hyper-critical of Parliament, in order to show the SAI had an impact (Bringselius, 2014). This suggests it is useful for auditees to be statutorily required to respond to (especially performance) audits.

The media is not the only stakeholder with which an SAI should communicate, with ISSAI 12 (INTOSAI, 2013 ppl 4 & 6) requiring SAIs to report clearly and simply to all stakeholders, increasing stakeholders' knowledge of accountability in the public sector (and the SAI's role in this), and "periodically assess whether stakeholders believe the SAI is communicating effectively" (s 6.4). Such means of reporting increases an SAI's transparency (Effective Institutions Platform, 2014) and may include, for example, publishing annual audit plans, undertaking surveys, maintaining a website, using Twitter and so on (United Nations Department of Economic and Social Affairs, 2013). In addition, ISSAI 12 (INTOSAI, 2013 ppl 5) further emphasises the need to ensure stakeholder relevance (within the bounds of auditor independence), but also to develop a two-way dialogue so that an SAIs work plan includes matters relevant to stakeholders and they may participate. The United Nations (2013, p. 14) extend this to developing "a partnership for decision making between SAIs and Citizens". These may be through advisory groups, focus groups and surveys.

If the matters are irrelevant, stakeholders will not want to engage (Moore, 2013). Indeed, in an early study of impact, Brown and Craft (1980) found, in the US, that the most effective performance audits were those that were on a subject of interest to the public and press, but also had material findings and were well-timed.

Despite the push to engage, the IBS's 2009 Open Budget Survey finds that:

- 12/46 countries do not have mechanisms for the public to recommend potential subjects for audit;
- 44 surveyed SAIs do not include an executive summary in their audit reports, making audit reports hard to read (Ramkumar, 2009).

A positive note from the 2015 survey (IBS, 2015), is that 31 SAIs do have mechanisms for public complaints which could feed through to audit topics.

The analysis of these stakeholder engagement practices by the Effective Institutions Platform (2014) recognises that SAIs have increased their emphasis on two-way

stakeholder engagement, but that such engagement focuses mainly on citizens and civil society, rather than media or Parliament. When participatory mechanisms are used, “they are not necessarily representative” (Effective Institutions Platform, 2014). This is problematic as the SAI may receive poor signals about potential fraud or inefficiencies. While the Effective Institutions Platform (2014) discusses a number of different methods for communicating, it reports a general lack of evaluation of the perceived value stakeholders place on SAIs’ work. It provides an example of Chile’s SAI’s web portal that counts the number of complaints and suggestions by citizens, how they have been dealt with, the length of time to respond, and the status of any audit actions occurring as a consequence (Effective Institutions Platform, 2014). In addition, the Effective Institutions Platform (2014) refers to an assessment of both the effectiveness of the SAI in Sierra Leone, and its value and benefits, as shown in Figure 2. Such information can be obtained from annual reports, audit reports, interviews with key stakeholders, and analysis of other relevant documents. Surveys and focus groups could also be utilised (Effective Institutions Platform, 2014).

Figure 2: The Value & Benefits of Sierra Leone’s SAI (from Arnesen, 2012)

Fiscal Discipline	Efficient Resource Allocation	Effective Service Delivery
<ul style="list-style-type: none"> • Identification of: • Major revenue discrepancies • Failings in collection of fisheries revenues • Audit of public debt management 	<ul style="list-style-type: none"> • Ensures funds spent for purposes intended 	<ul style="list-style-type: none"> • Legality of spending • Identification of failings in: • Anti-malarial drug delivery systems • Access to clean water program • Distribution of agricultural inputs
Promoting fiscal transparency and accountability Deterring, preventing & detecting corruption Communicating with & engaging citizens: demonstrating relevance to stakeholders		

The United Nations (2013) explains that the Netherlands Court of Audit gathers citizens’ insights through LinkedIn, and responds to Tweets from third parties about audit reports. A further example of a relatively new participatory mechanism is the “armchair auditor” – a term coined by the then UK’s Prime Minister, David Cameron,

to describe crowdsourcing analysis of governments' open data (O'Leary, 2015). With open data becoming more common and available (including in the US, UK, Canada and New Zealand), the concept is that citizens may choose data (via various technological means) and analyse it as they see fit (O'Leary, 2015). O'Leary (2015) notes that it is not necessary for these citizens to communicate with the SAI or, indeed, publish a report at all, but that when they do, they may, for example, act as a control on government overspending. Nevertheless, a number of barriers exist, including access to data, methodologies and analysing structures, missing data, and no clear community of "armchair auditors" which may lead to uninformed or malicious attacks (O'Leary, 2015). O'Leary (2015) suggests that crowdsourcing could be strengthened through funding or further press.

Nevertheless, the increasing use of technology allowed one respondent to the Mexican SAI's survey to state that citizens can inform the SAI of irregularities and "contribute to the audit planning by control suggestions" and assess how this would lead to incremental revenue. Further, the Peruvian SAI commented on its "juvenile auditors programme" where students identify principal problems, form an oversight team and address the issue (3,700 issues have been thus addressed). They also report on a "Run with your money" programme during the 2014 election which received 475 alerts from citizens, of which 203 were forwarded to the National Electoral Panel for further enquiry. These further informed post-audit services. Such activities depend on citizen education and knowledge of the SAI's activities (United Nations Department of Economic and Social Affairs, 2013).

2.3 Summary

The overarching theme of this investigation is to understand how SAIs deliver value and to find examples of similar issues in other countries. Appendix 4 provides a copy of Van Looke and Put's (2011) examples of impact indicators used by SAIs.

This literature review has also discussed different indicators used by SAIs, and categorised them against ISSAI 12 (INTOSAI, 2013) and Moore's (2013) concept of public value in three differences 'strategic points'. Accordingly, Table 2 develops Table 1, showing not only how the ISSAI 12 groupings could create measures of public value (also shown graphically in Figure 1), but also how SAIs could measure their positive impact as has been discussed in this chapter.

In addition, Moore (2013) argues that unintended negative impacts could eventuate when entities are attempting to deliver public value. Table 2 highlights literature where SAIs may have a negative impact on public value. These are risks that need to be mitigated. Theoretically, to comply with ISSAI 12 and to deliver value, SAIs should report on the value they add in each categorisation. The empirical study undertaken in this investigation analyses the extent to which SAIs communicate how they deliver value and (as required in ISSAI 12) (INTOSAI, 2013, para 3) “demonstrate their ongoing relevance to citizens, Parliament and other stakeholders”. The empirical research is presented in Chapter 3.

Table 2: Measuring value under ISSAI 12 Groupings – a summary

ISSAI Objective	#	Categorisation	Positive Impact measured by:	Negative Impact of measurement:
Strengthening accountability, transparency and integrity of government and public sector entities (ppl 1-4)	1a	SAI Independence	Independence measured by assessing legislative and other arrangements (for example, Blume & Voigt, 2011; Robertson, 2013). No impact found.	Melo et al. (2009) suggest a large budget could impair independence.
	1b	Ensuring public sector accountability	Lack of corruption is measured by Corruption Perception Index (Blume & Voigt, 2011); Monetary savings arising from audits or the recommendations in them are also used (Blume & Voigt, 2011; Norton & Smith, 2008; Pollitt & Summa, 1997; Talbot & Wiggan, 2010); Ensure competency in Parliamentary oversight body's scrutiny (Azuma, 2004; Santiso, 2015).	Use of performance audits for political means could impair independence (Funnell, 2015).
Being a model organisation through leading by example (ppl 8-12)	2a	Lead by example	Quality of staff and involvement at high levels of government (Gendron et al., 2001; Pollitt & Summa, 1997); Publishing an annual report (on-time), annual plan, strategic plan, low audit costs (Azuma, 2004; Gendron et al., 2001; Melo et al., 2009).	Process-based auditing focused on short-term may reduce achievement of policy objectives and stifle innovation (Leeuw, 2011).
	2b	Building trust	Accreditation, reviews by PAC and other external bodies, providing summary measures (Barrett, 1996; O. James & John, 2007)	May reduce diversity of Parliamentary Representation (at local level) (O. James & John, 2007; Schelker, 2008).
Demonstrating ongoing relevance to citizens, Parliament and other stakeholders (ppl 5-7)	3a	Independently & objectively supporting reform	Number of recommendations acted upon (Arthur et al., 2012; Gendron et al., 2001; Morin, 2001); Perception of auditees on usefulness of audit (Bowerman & Hawksworth, 1999; Etverk, 2002; Morin, 2001, 2008, 2014; Vanlandingham, 2011).	Perception of auditees on usefulness of audit may impair SAI's independence (Noussi, 2012); Dependence on auditor may lead to deterioration of management (Morin, 2014).
	3b	Responsiveness and voice	Number of media releases/media activity following audits (Raudla et al., 2015); Extent of public debate (Bringselius, 2014; Etverk, 2002; Morin, 2001) and input to audit activity;	Relationship with media may impair independence; Input from stakeholders may not be representative (Effective Institutions Platform, 2014; O'Leary, 2015).

			Number of public complaints and how they have been dealt with (Effective Institutions Platform, 2014).	
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Chapter 3: Evidence of SAIs reporting public value

This document review builds on Chapter 2, by analysing current evidence of SAIs' reporting on the value that they deliver. Similarly to the prior chapter, it utilises Moore's (2013) concept of public value, and a categorisation of ISSAI 12 (INTOSAI, 2013). Jointly, this 'model' structures evidence of how SAIs deliver public value. Thus, the findings section is divided into a consideration of measures used to show: (i) legitimacy and support; (1a & 2b) (ii) operating capacity (2a & 3b); and (iii) public value (1b & 3a).

First, the method is described, before the findings are presented. The results are discussed in Chapter 4, along with limitations and opportunities for further research.

3.1 Method

In order to analyse how SAIs deliver value, we undertook a document review of national SAIs. First, a list of all country members of INTOSAI was extracted³⁵ and an internet search was undertaken of each SAI for documents using the term/s: "ISSAI 12", "ISSAI", "Public value", "Value of audit", "Benefits", and "Making a difference". Relevant documents were downloaded and coded using the main concepts of ISSAI 12. Following this, the SAIs' websites that were fruitful for research were further searched for a strategic plan, the most recent annual report and the annual plan (where these existed). These documents were analysed to extend the body of knowledge of how SAIs measure and report the value that they deliver, to add to Tables 1 & 2 (and Van Looke and Put's, 2011 examples from Appendix 4). We also sought to analyse any challenges SAIs face and how they have responded to them (i.e. negative impacts).

Table 3 shows the results of the website search. In terms of Azuma's (2004) recommendation that SAIs produce a Strategic Plan, Annual Plan and Annual Report, each of these 16 websites were further searched for these documents. In some cases (e.g. Norway, Switzerland) the output in English was a summary of the documents in the official language. As we were limited to English, the availability of reports may have been more limited from countries where English is not an official language.

³⁵ The full list can be found here: <http://www.intosai.org/about-us/organisation/membership-list.html>. Note that regional associations and SAIs (such as ECA, EUROSAI, PASAI, AFROSAI) are not included in this analysis.

Table 3: Countries with SAIs included in this research

SAI categories	No.
Number of countries' SAIs searched for	192
Number of SAIs without a website or where the website was not available	(49)
Total websites searched	143
Number of websites without a search facility (or needing an authorised log-in to search)	(35)
Number of websites where information is not in English	(35)
Sub-total	73
SAI websites without information on the search terms, where information was irrelevant to enquiry, or where reports sought were not in English	(57)
Total number of countries whose SAIs' annual reports, strategic plans and annual plans were analysed.*	16

*These countries were: Australia, Bangladesh, Canada, Estonia, Hungary, Iceland, Ireland, Jamaica, New Zealand, Norway, Poland, South Africa, Switzerland, Turkey, the UK, and US.

3.2 Findings

The presentation of the findings is segregated into each of Moore's (2013) strategic points of public value, while Chapter 4 links these to the propositions (theories) relating to the public value of audit. Table 2 in the Chapter 2 shows how these measures of public value tie back to ISSAI 12 (INTOSAI, 2013). This is extended in Chapter 4, in Table 4.

3.2.1 *Legitimacy and Support*

SAIs need support and legitimacy, as most have a vision to strengthen (or attain) accountability and transparency in public financial management (e.g. Australia, Bangladesh, Canada, Poland, Turkey, UK). All note their need for independence. For some, the annual report was a place to call for further resources, the need to have control of those resources (e.g. Ireland, Jamaica), note work challenges arising from governmental changes (e.g. Australia, UK), and fiscal challenges due to non-payment of debts (South Africa).

Many SAIs publish a budget in their call for support.³⁶ Accordingly, financial sustainability is one measure of support, with the South Africa SAI measuring its net surplus over time, as well as debtors' and creditors' days.³⁷ To ensure legitimacy, SAIs aim for a clean audit report (e.g. Hungary, South Africa) and a number of SAIs have had peer reviews (e.g. Bangladesh, Canada, Poland), with Australia discussing the operation of its Audit Committee. In addition, Dankó (2014) notes that the independence of the State Audit Office of Hungary has been strengthened by a new Fundamental Law.

Core to legitimacy and support is building trust (INTOSAI, 2013; Moore, 2013). To ensure that its audits are of high quality, Jamaica's SAI obtains views of key stakeholders from focus groups during the planning and fieldwork stage of all performance audits.³⁸ This is similar to Poland's SAI that, during 2012, convened 18

³⁶ The OECD (2014) report on Chile notes that the lack of financial autonomy is a danger threatening independence. The INTOSAI IDI report (2014) notes that, while 55% of SAIs are able to appeal their budget allocations to the legislature, 40% report that the executive interferes in the budget process.

³⁷ Strategic plan and budget of the Auditor-General of South Africa for 2012-2015. Downloaded from:
<http://www.agsa.co.za/Documents/AGSAreports/Budgetandstrategicplans/tabid/94/id/13/Default.aspx>.

³⁸ Annual Report 2015, Auditor-General Department of Jamaica. Downloaded from:
http://www.auditorgeneral.gov.jm/files/u5/AuGD_ANNUAL_REPORT_2015.pdf.

panels of experts to provide advice during and after audits (but before the audit report was published).³⁹ Australia's SAI convenes a special (internal) committee when issues are contentious, to ensure that all matters are appropriately considered (McPhee, 2012), while New Zealand's SAI obtains an independent review of its auditor appointments and fee monitoring processes.⁴⁰

In terms of a further indication of trust, the Bangladesh SAI notes that Transparency International Bangladesh's National Integrity System report showed they are "a better performer than any other watchdog institutions ... acts as a major deterrent against inefficiency and corrupt use of money and ... delivering on its constitutional obligations..." (p.5).⁴¹

3.2.2 Operating Capacity

The development and deployment of operating capacity should enable SAIs to deliver public value (Moore, 2013). Commonly, SAIs report they seek to ensure their audit work is of high quality, that staff are professionally trained and that they practice good internal governance (e.g. Bangladesh, Canada, South Africa, UK). The Turkish SAI lists its IT capability (e.g. number of laptops, PCs and so on), presumably to make the point that they have such capacity,⁴² while the US' GAO undertakes an internal survey to measure its effectiveness.⁴³

Azuma (2004) recommends publication of corporate documents to report value. In this research, of the 16 countries found to have reports, 12 published a Strategic Plan covering the year 2015 (of which two were out of date) – these can be a key means to consult with relevant stakeholders. All SAIs published an Annual Report, but only five published a recent Annual/Corporate Plan to show where audit effort would be applied. Of the Annual Reports, seven included the SAI's financial statements (all of which were audited). The other annual reports included only summaries of activities (in the case of

³⁹ Annual Report 2013, Supreme Audit Office of the Republic of Poland. Downloaded from: <https://www.nik.gov.pl/plik/id.5600.pdf>

⁴⁰ Audit Report 2014/15, Controller and Auditor-General New Zealand. Downloaded from: <http://www.oag.govt.nz/2015/annual-report>

⁴¹ Annual Report 2014, Office of the Comptroller and Auditor-General of Bangladesh. Downloaded from <http://www.cagbd.org/publication/AnnualReport2014.pdf>

⁴² 2014 Accountability Report, Turkish Court of Audit. Downloaded from: http://www.sayistay.gov.tr/En/Upload/files/2014_Accountability%20Report.pdf.

⁴³ 2015 Annual Report: Additional opportunities to reduce fragmentation, overlap, and duplication and achieve other benefits. United States Government Accountability Office. Downloaded from <http://www.gao.gov/about/paststratplanning.html>.

Ireland, only the financial statements were published in the annual report, with no other information).

Being responsive and communicating effectively is another measure of operating capacity. An example is provided by Canada's SAI, which has a strategic objective to ensure that users and managers find audit reports understandable, fair and add value.

In addition, Norway's SAI notes "auditing shall have great social relevance and topical merit"⁴⁴ and, for Ireland, "support effective democracy".⁴⁵ Yet, the Turkish SAI notes as a weakness: "unsatisfactory relationships with external stakeholders and media".⁴² Thus, Hungary makes use of "citizens' indications, complaints and the issues, topics relevant to the National Assembly and the general public" in organising its work (Dankó, 2014).

To show their relevance to citizens, some SAIs report the number of press releases, others' publications that include their work and/or visits to their website (e.g. Iceland, Poland). Jamaica's SAI also logs correspondence sent and Parliamentary discussions, with South Africa logging a rather general number of "stakeholder engagements".

3.2.3 Public Value

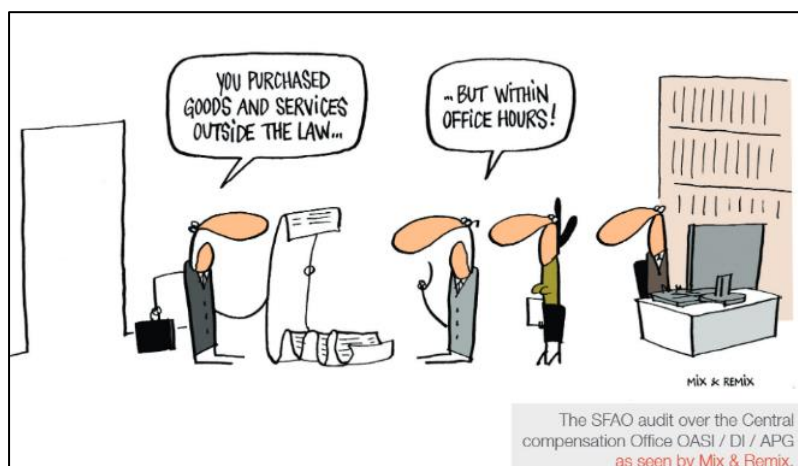
A key measure of public value is deemed to be ensuring public sector accountability, reporting on that, and enabling the sector to discharge its responsibilities effectively. More commonly, SAIs publish a count of the number of reports tabled with Parliament (or the appropriate body), or report the number of completed audits in their annual report and their timeliness (e.g. Bangladesh, Canada, Hungary, UK), as well as the number of unqualified reports issued (e.g. New Zealand, Turkey). There are also comments that the quality of the underlying financial reports has improved (e.g. Estonia), showing the impact of audit.

As noted, the extent of reporting will depend on the structure (INTOSAI IDI Development Initiative, 2014), with Poland's SAI being obliged to report only to the Sejm of the Republic of Poland (the lower house of Parliament).³⁹ Further, the Swiss SAI has not reported publicly in the past, but its reports are increasingly being made

⁴⁴ Strategy 2014-2018, Auditor-General of Norway. Downloaded from: <https://www.riksrevisjonen.no/en/AboutRR/Publications/StrategicPlan/Pages/Strategicplan.aspx>.

⁴⁵ Office of the Comptroller and Auditor-General –Statement of Strategy 2012-2014. Ireland. Downloaded from: <http://www.audgen.gov.ie/viewdoc.asp?DocID=1352>.

available under the Freedom of Information Act and, from 2015, it plans to be even more transparent.⁴⁶ The Auditor-General notes that the unintended consequences of more widely-available reports is a loss of confidence in government, especially when matters for improvement are highlighted. Despite this, they include several cartoons in their Annual Report, an example of which is shown.



The US' GAO is detailed in its discussion of the number of Congressional committees it has reported to, in its mission to reduce “fragmentation, overlap and duplication” in the public sector.⁴³ Thus, the annual report highlights recommendations it has made to improve efficiency and effectiveness. It also (as do others) monitors the progress of agencies in addressing those issues (whether they are addressed, partially addressed or not addressed).

In meeting its mission to: “support the development of Estonia [by audits] aimed at solving and preventing serious problems in society”, the Estonian SAI notes “the work of the National Audit Office is aimed at the general public, Riigikogu [Parliament], central government and local authorities”.⁴⁷ This strategy highlights the need to ensure taxpayers' funds are well spent, and that public value is delivered. Jamaica's SAI states “society needs to be aware of the negative impact arising from the lack of transparency and accountability in the public sector”.³⁸ Thus, the Estonian SAI further notes its desire to report to “people in their own language, and not in the language of officials, what the

⁴⁶ 2014 Annual Report, Swiss Federal Audit Office. Downloaded from: http://www.efk.admin.ch/images/stories/efk_dokumente/publikationen/jahresberichte/2014/CDF_ac t_2014_en_PDF.pdf.

⁴⁷ Strategy 2014-2020, Estonia National Audit Office (Riigikontroll). Downloaded from: <http://www.riigikontroll.ee/Riigikontrollkuiasutus/Strateegia/tabid/140/language/en-US/Default.aspx>.

state is doing with their money and whether or not people are getting what has been promised to them for their money”⁴⁷

In addition, a number of SAIs obtain feedback from their auditees, including the Chairs of Audit Committees, and Directors (e.g. of Crown Corporations) (e.g. Australia, Canada, Estonia, Ireland, UK). Feedback includes that independently gathered on the professionalism and knowledge of staff, and the value the SAI has added. As a further example of operating capacity, the Australian SAI measures leadership capacity, contemporary communication capacity, advanced information analytics capacity, and success of new models of audit delivery.⁴⁸

That the UK’s SAI measures the monetary value added by its work has already been noted,⁴⁹ this is similar to the US’ GAO.⁴³ In addition, while the Bangladesh SAI’s annual report notes “the deterrent effect of audit is very significant that cannot be quantified”, it does list the dollar value of settlements following audits. In addition to strengthening government they “developed a networking relationship with other watchdog agencies”.⁴¹

A further measure of public value is being a credible source of independent and objective insight. The Turkish SAI notes: “having a reputation of being an objective and credible entry” is important.⁴² Further, Estonia organises seminars and other activities to support its work in the public sector, further cementing its reputation. In addition, New Zealand notes the challenges the public sector faces in moving to new financial reporting standards, and the assistance it must provide.⁵⁰ Persuasiveness is seen to be important to bring about change within the public sector (Hungary), but there is a need to maintain independence (Australia). Assisting the public sector with benchmarking is a tactic used by many (e.g. Hungary, New Zealand, UK). Many SAIs gain feedback on the number of issues resolved/recommendations taken up by auditees (e.g. Estonia, Iceland, New Zealand, Switzerland, Turkey), even if changes take some time. Further, Australia recognises the way that value can be compromised if the SAI

⁴⁸ ANAO 2015-19 Corporate Plan, Australian National Audit Office. Downloaded from: <http://www.anao.gov.au/About-Us/~media/Uploads/Corporate%20Publications/ANAO-Corporate-Plan.pdf>.

⁴⁹ Strategy 2015-16 to 2017-18, UK National Audit Office. Downloaded from: <https://www.nao.org.uk/wp-content/uploads/2015/12/NAO-Strategy-2016-17-to-2018-19-final.pdf>.

⁵⁰ Annual Plan 2015/16. Controller and Auditor-General New Zealand. Downloaded from: <http://www.oag.govt.nz/2015/annual-plan>.

fails to influence, and fails to conduct high quality audits, to monitor and analyse change.⁴⁸

As noted in the literature review, international collaboration is also an important part of independently and objectively supporting reform as public value. This factor is highlighted by almost every SAI; including training, conferences, utilising international standards and peer audits in order to “apply insights from other jurisdictions ... and lead and influence technical excellence in public sector audit”.⁴⁸ Further, the UK’s SAI notes: “We are the appointed external auditor of several multilateral international organisations and provide technical and managerial advice to a wide range of Supreme Audit Institutions and public accounts committees ... contributing to the development of international standards in public sector audit and accountancy”.⁵¹

3.3 Summary

It is apparent that SAIs around the world use numerous measures to indicate the public value that they deliver. This chapter has presented recent examples from different SAIs’ reports against Moore’s (2013) three strategic points. A more complete picture is provided in Chapter 4, where the measures used are summarised in Table 4⁵² which further extends Table 2 and the ISSAI categorisation that has been developed. In particular, it links these strategic points to the hypotheses underpinning the value of public audit as presented in Investigation 1 (Hay et al., 2016).

⁵¹ Annual Report and Accounts 2014 -15, UK National Audit Office. Downloaded from: <https://www.nao.org.uk/report/nao-annual-report-and-accounts-2014-15/>.

⁵² Further detail can also be observed in Appendix 5.

Chapter 4: Discussion and Conclusions

This paper has argued (along with Raudla et al., 2015) that it is important for SAIs to report on the public value they deliver. Chapter 2 mapped the objectives of ISSAI 12 (INTOSAI, 2013) onto the strategic points of Moore's (2013) concept of public value. Key to Moore's (2013) concept is that public value is defined as a collective, rather than individual measure, and thus requires more than one measure if it is to meet different stakeholders' needs. Further Moore (2013, p. 104) notes:

“...public value is conditional on the support of the political authorizing environment that has the right and responsibility to define public value and on the existence of some organizational and operational capacity that must be animated and guided to produce public value.”

This reminds us that it is necessary to manage, measure and report public value, along with an SAI's legitimacy and support and operational capacity, as now summarised. While Chapter 3 provided examples of SAI reporting, in this chapter we critique this reporting in terms of the model developed in Chapter 2 (of both Moore's measures of public value and the principles of ISSAI 12). In particular, we reflect on how the measures reported on signal the eight different propositions of the public value of audit: (i) monitoring (agency); (ii) signalling quality; (iii) providing 'insurance' against loss; (iv) organisational control; (v) confirmation hypothesis; (vi) managing public sector risk; (vii) public benefits; and (viii) externality. These propositions were outlined in Investigation 1 (Hay et al., 2016). Examples of how they might apply are highlighted in Table 4 in red and through the text with underlining.

The chapter concludes with a brief note of the limitations and opportunities for future research.

Table 4: Measurements of value by SAIs in this study

ISSAI Objective	#	Categorisation	Positive Impact measured by:	Negative Impact of measurement:
Strengthening accountability, transparency and integrity of government and public sector entities (ppl 1-4)	1a	SAI Independence (L&S)	All assert they are independent and have appropriate legislative authority, but call for more resources, and as being stretched.	3a) None of the corporate reports analysed discussed the negative impacts of measuring and reporting against public value. For these issues (1a-
	1b	Ensuring public sector accountability (PV)	Agency theory, signalling and organizational control explanations. (1) Strategic plans to ensure public sector accountability (assisting in management of public sector risk); (2) Dollar value of funds saved due to audits (showing public benefits); (3) Developing networking relationships with other agencies; (4) None report on raising Parliamentary oversight body scrutinising competency.	
Being a model organisation through leading by example (ppl 8-12)	2a	Lead by example (OC)	(1) Reports include annual reports (16), annual plan (5) & strategic plans (12); (2) Budgets published; (3) Clean audit reports on SAI's annual report are published; (4) Quality of staff; (5) Quality of governance; (6) Environmental strategy and results of sustainability programme.	
	2b	Building trust (L&S)	(1) Peer reviews, Audit Committee, Report on Integrity; (2) For performance reports, using focus groups, Panel of Experts; (3) Independent review of outsourced auditing.	
Demonstrating ongoing relevance to citizens, Parliament and other stakeholders (ppl 5-7)	3a	Independently & objectively supporting reform (PV)	(1) Number of completed audits and timeliness, number of unqualified reports issued (agency); (2) Reporting that quality of underlying reports have improved. Benchmarking services to public sector (signalling); (3) Number of reports tabled with Parliament (or appropriate body), recommendations made to improve efficiency and effectiveness (organisational control); (4) Feedback from auditees (agency, signalling); (5) Better practice guides, contribute to Bills (towards organisational control); (6) Report overseas influence and input (externalities).	
	3b	Responsiveness and voice (OC)	(1) Strategic objective to ensure that users and managers find audit reports understandable to support democracy; (2) Recognise the digital era and drive to transform services; (3) Citizens' complaints directs work;	Widely available reports may lead to lost confidence (Switzerland)

		(4) Count press releases, website visits, correspondence.	
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4.1 Public value in SAI reporting

As can be seen in Table 4, in ensuring public sector accountability (1b), an SAI delivers a key public value. The need for public audit to aid in the management of public sector risk, means that many SAIs have a strategic plan to ensure public sector accountability (Sharman, 2001). As noted by Noussi (2012) and Pallot (2003) in Section 2, SAIs are expected to deliver a wider, constitutional accountability. This requires the SAI to report on whether agencies in the public sector (and government itself) have exercised probity and legality in their collection and spending of citizens' (taxpayers') dollars (Friedberg & Lutrin, 2005). In addition, the UK and US emphasise the public benefits that they deliver by providing the dollar value of funds saved through audits; further, a number of SAIs note how many recommendations they made in their reports. Thus, reporting is essential, although all SAIs do not do so (Ramkumar, 2009). Our research shows that few SAIs discuss value, and of those that do, not all produce annual reports, and fewer publish annual and strategic plans.

Yet, although Parliament must be technically capable to manage the information for accountability (Reichborn-Kjennerud & Johnsen, 2015; Santiso, 2015), none of the SAIs in this research commented on how they assist Parliamentary bodies to improve their technical capacity in order to carry out their oversight roles. One explanation for this might be because, under the insurance hypothesis, Parliament may wish the auditor to act as a scapegoat for an entity's management's failures and it suits the Public Accounts Committee not to shoulder the blame for such failures; although the omission might simply be because the SAIs were not asked to provide this service.

Many SAIs also recognise the second major public value they can bring, by independently and objectively supporting reform (Blume & Voigt, 2011). In doing so, they deliver on four of the concepts underpinning reasons for public audit. By (i) listing the number of audits undertaken, timeliness and lack of qualifications in these audits, they provide support for the agency theory reasons for audit and (ii) by showing that public sector managers are reporting well to boards/governors, ministers, and the public, they confirm a monitoring role. Indeed, by reporting that the quality of this reporting has improved and by benchmarking outputs and outcomes, SAIs signal the quality of management. (Signalling the SAI's quality comes from the underpinning OC and L&S aspects of independence, i.e., leading by example (2a), and building trust (2b).) However, while most SAIs in this research listed/counted the number of audit

reports they produced, fewer linked measures of outputs to outcomes they aimed to achieve. Some listed the benchmarking services they had developed and how accounting had improved, but such information was sparse. The quality of the SAIs is also shown by feedback from auditees. Morin's work (2001, 2014) and that of Etverk (2002) recommend obtaining feedback from auditees which would incorporate a critique of the process and further confirm agency and signalling theories. The empirical analysis in this research found that a number of SAIs utilise such feedback mechanisms. Yet, SAIs are reticent to critique policy (Barzelay, 1997; Czasche-Meseke, 1995; Gendron et al., 2001; Grasso & Sharkansky, 2001; Jantz et al., 2015) and to realise the public benefits that Schelker and Eichenberger (2010) argue for. This suggests that SAIs need to do more to report their outcomes and the outputs they deliver to achieve public values.

In respect of the public value of organisational control, SAIs do not report on how they have undertaken internal audits (if any) or encouraged audit committees/good governance. However, organisational control is evident through SAIs' performance audits and reporting on auditees' acceptance of recommendations to improve efficiency and effectiveness ("independently and objectively supporting reform" (3a)). Yet, this measure fails to take into account negative consequences of the audit process (Leeuw, 2011), such as costs, or the manner in which requiring strict adherence to rules can reduce organisational learning. Nevertheless, most reported a range of outputs, (including education activities undertaken), however few acknowledged the fact that not all changes could be attributed to the SAI, but were as a result of collaborative and others' efforts. Attestation is a challenge, but SAIs should lead the way in showing the public sector how to do this.

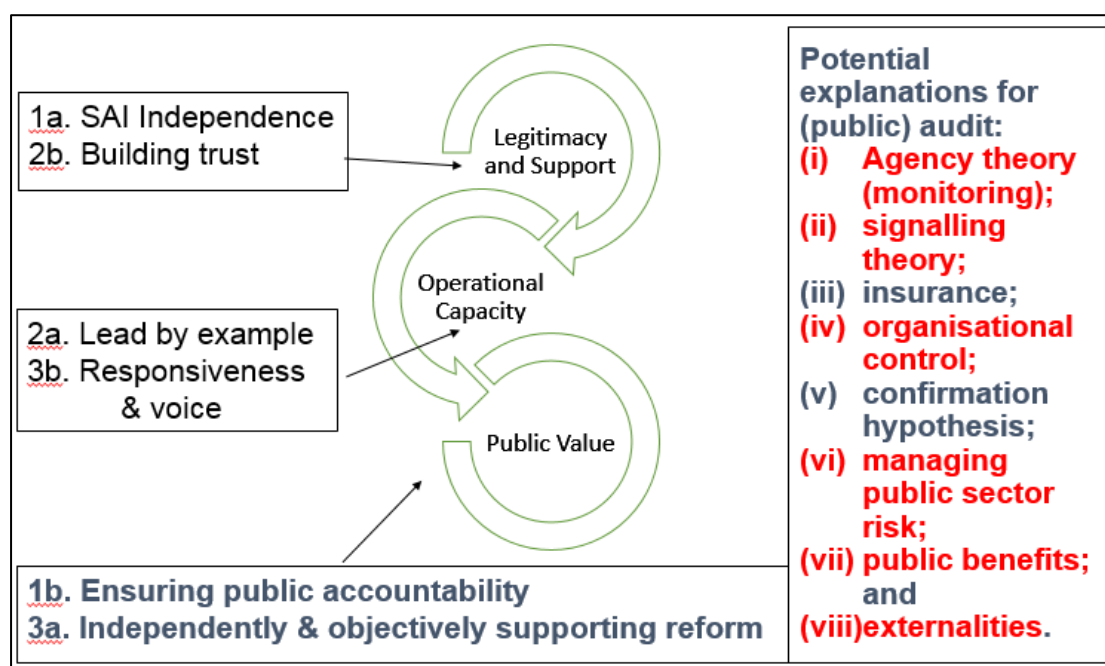
In supporting reform, SAIs also report on their influence internationally and the overseas examples that they have adopted. These recognise the positive (possible) externalities of SAIs, but the extent to which stakeholders are interested in this, is unknown. It is likely that the international experience will feed into an SAI's deliver of public benefit.

The confirmation hypothesis notes the value of *ex post* audit in providing assurance to stakeholders about *ex ante* and other unaudited information. While independence (1a) is essential for this, no SAIs were observed to subsequently report on unaudited results

from public sector agencies and the importance of audit in giving credence to these unaudited results. The public value of subsequent confirmation of unaudited announcements is worthy of further research.

These explanations and findings are highlighted in Figure 3 where it can be seen that measures of the insurance and confirmation hypotheses have not been found to be reported.

Figure 3: Moore's (2013) public value delivered in selected SAIs' reports



4.2 Arbiters of public value

Accordingly, it can be seen that SAIs' reporting supports the theoretical explanations for public audit, and which constitute public value under Moore's (2013) definition. Nevertheless, SAIs are unable to support reform, if they do not maintain legitimacy and support (L&S). Independence is the prime means through which they do this – through the freedom SAIs have to make enquiries, call public entities to account, report, encourage change, and appoint staff (Grasso & Sharkansky, 2001; Norton & Smith, 2008; Schelker, 2008). While the signalling mechanisms of independence appeared not to be an issue for the SAIs in this study, a number commented on budget constraints and being stretched due to extra work. Unless an appropriate level of resources is committed to these SAIs, they will be unable to undertake their core work at a high-enough quality to deliver public value.

External reporting on SAIs' legitimacy is rare, but peer reviews are one option to show external stakeholders that an SAI has legitimacy. Internal checks and balances are evident in the performance audit space, with focus groups, panels of experts, and so on. Yet, New Zealand is the only SAI in our sample that had its own audit committee. New Zealand also obtains an independent review of its audit outsourcing. Such activities also signal the quality of the SAI. Independent reviews are important to ensure legitimacy. While not noted in the annual report, we also understand that New Zealand invites professional peer reviewers to report on audit quality.

As noted, Moore (2013) highlights the need for operating capacity. This is reflected in high quality audit work, high quality staff, and reporting (Azuma, 2004; Gendron et al., 2001; Talbot & Wiggan, 2010). Not all SAIs in this research published their financial data openly, although those that did, included audit reports. This aspect of operational capacity underpins public value (by signalling quality, but also through robustness of audit) and builds legitimacy.

It can be seen, therefore, that public value cannot be delivered without each of Moore's (2013) three strategic points. He recommends that learning at each point will draw together each strategic point to create public value. For example, a lack of legitimacy devalues the auditor and will reduce the role of audit as a signalling mechanism. He further notes that different stakeholders will impact these strategic points with different intensities, as shown by the number of asterisks in Table 5.

Table 5: Arbiters of public value (adapted from Moore, 2013, p. 267)

Individuals	Contribute legitimacy and support to public value propositions	Contribute operational capacity as producers of public value	Act as arbiters of public value
Citizens	***		***
Voters	***		***
Taxpayers	***		*
Co-producers (partners)	*	***	*

Clients (auditees)	*	**	*
Clients (Parliament)	***	*	**

Table 5 splits “the public” into citizens, voters and taxpayers. While all citizens will contribute to an SAI’s legitimacy and support (through trust in the system and through funding), they are not likely to contribute to operational capacity. Further, citizens and voters are most likely to act as arbiters of public value through their voice and votes. Thus, SAIs must analyse the public value they deliver from the point of view of these stakeholders. That is, how effectively do SAIs act as monitors, provide public benefits, organisational control, and so on? The Table 5 adaptation of Moore (2013) includes Parliament as a separate client that also contributes to legitimacy and support, as well as operational capacity (through funding). It also shows co-producers of the SAI (for example where audits have been outsourced, but also staff etc.) as having the highest contribution to its operating capacity, and auditees (as clients) also having a moderately strong contribution. Accordingly, the quality of audits is important.

While Table 5 suggests that “the public” have no effect on operational capacity, Moore (2013) argues that when public sector entities (like SAIs) attend to the public value that citizens, voters and taxpayers want, they will also be encouraged to engage the public through broader programmes, in co-producing outcomes. An example of this is the way that complaints systems have encouraged the public to suggest items for performance audits or enquiries (and also the suggested rise of the armchair auditor). Therefore, analysing two-way communication is necessary to see how the public engages with SIAs worldwide.

Under ISSAI 12 (INTOSAI, 2013), engagement with key stakeholders is especially important, but this is not universal (for example, Ireland’s SAI had only one press release per 12-month period on its website). With the increase in performance audits, a number of the SAIs in this research had mechanisms through which citizens could make complaints and/or suggest items for SAI enquiries (as also seen in IBS, 2015; Ramkumar, 2009). Some SAIs published comprehensive information on their activities, however, more targeted research is required into whether the topics chosen for audit were of relevance and whether real two-way engagement is occurring.

4.3 Limitations and opportunities for future research

Table 2 highlighted some negative impacts of SAIs mentioned in the literature, however these were not mentioned by the SAIs in our sample (see Table 4). While few SAIs publish the challenges they meet in delivering public value, there is no doubt that these exist. Those that do, report the struggle for resources in order to hold the public sector accountable and to independently and objectively support reform. One of the limitations of this research is the limited range of documents analysed and the number of SAIs in the final sample. Extending the research to a wider range would be useful. Further, it is likely that some of the measures used may be misleading and thus, multiple measures can shed light on gaps in knowledge.

In respect of the Office of the Auditor-General in New Zealand, many of the public value components summarised in Table 4 are reported on in the annual report, annual plan and strategic plan. Nevertheless, more research is required to analyse who are the stakeholders affected by the most important parts of public information; who are their representatives who use public information; and how information is used and relied on. This is the subject of Investigation 3 which also recognises how the environment of public information is changing.

4.4 Recommendations

There are very few recommendations arising from this review of the practices of SAIs. This is because there are very few ways in which SAIs deliver value that are not already practiced by the OAG. Nevertheless, the following are recommendations for future research development and practical considerations:

1. It would be useful to analyse unaudited results (particularly budgets) and the way that SAIs' audits can provide confirmation of actual results;
2. The OAG is different from many other SAIs that we examined in not recently having had an external international independent peer review and in not having a legislative requirement to have one. The possibility of arranging for a review should be investigated; and
3. Regularly report on how the OAG has worked to increase the scrutinising capacity of Select Committees and others involved in scrutiny.

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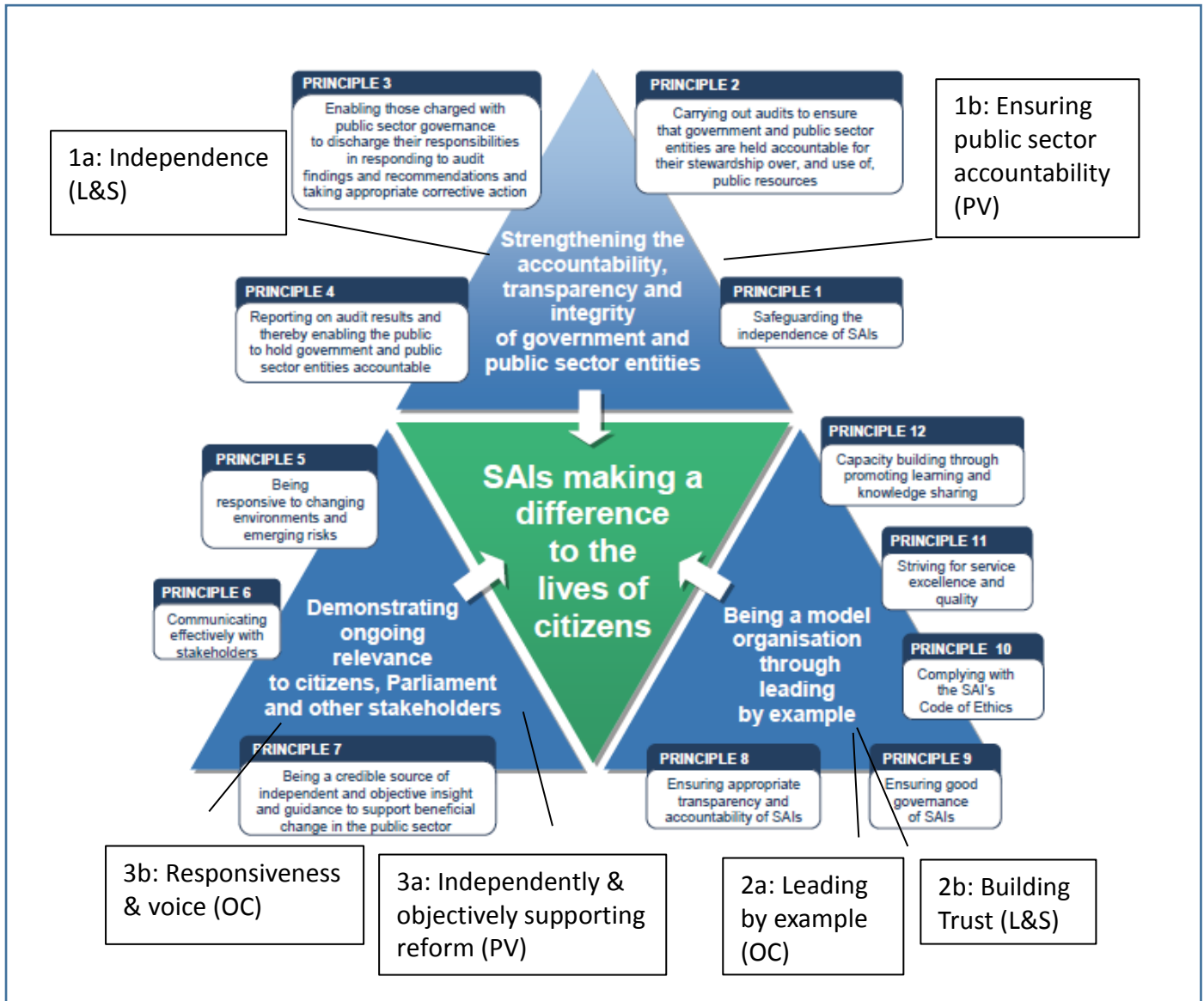
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APPENDIX 1: ISSAI principles and Moore's (2013) strategic points contributing to public value



Hypotheses of the value of (public) audit:

- | | |
|--|--|
| (i) Agency theory (monitoring); | (v) confirmation hypothesis; |
| (ii) signalling theory; | (vi) managing public sector risk; |
| (iii) insurance; | (vii) public benefits; and |
| (iv) organisational control; | (viii) externalities. |

APPENDIX 2: ISSAI Analysis from Noussi (2012) of role of SAIs

Table A1: The Purpose of Accountability – Table 3.1 from Noussi (2012, p. 47)

Table 3.1 The Purpose of Accountability from Three Perspectives (table based on tables 1-3 in Bovens, Schillemans and 'T Hart, 2008)

	Democratic perspective: accountability and popular control	Constitutional perspective: accountability and equilibrium of power	Learning perspective: effective governance
<i>Central idea</i>	Accountability controls and legitimizes government actions by linking them effectively to the 'democratic chain of delegation'.	Accountability is essential in order to withstand the ever-present tendency toward power concentration and abuse of powers in the executive branch.	Accountability provides public office-holders and agencies with feedback-based inducements to increase their effectiveness and efficiency.
<i>Central evaluation criterion</i>	The degree to which an accountability arrangement or regime enables democratically legitimized bodies to monitor and evaluate executive behavior and induce executive stakeholders to modify that behavior in accordance with their preferences.	The extent to which an accountability arrangement curtails the abuse of executive power and privilege.	The degree to which an accountability arrangement stimulates public executives and bodies to focus consistently on achieving desirable societal outcomes.
<i>Concrete evaluation questions:</i>			
<i>a.</i>	Are democratically legitimized principals informed about the conduct of executive stakeholders, and about the social consequences of that conduct?	Does the accountability forum have enough investigative powers and information-processing capacity to credibly evaluate executive behavior, particularly regarding conformity of executive action with laws, regulations and norms?	Does the accountability arrangement yield both stakeholders and clients and key external stakeholders an accurate, timely and clear diagnosis of important performance dimensions?
<i>b.</i>	Do the debates between accountability forum and stakeholders focus on whether the behavior of the latter accords with the democratically legitimized principals' standards and preferences?	Does the accountability forum have incentives to engage executive stakeholders in relevant questioning and debate and is their interaction focused on conformity of actions with laws and norms?	Does the accountability arrangement provide a setting and a set of interaction routines which induces ongoing, consequential dialogue among executive stakeholders and key stakeholders about performance feedback?
<i>c.</i>	Does the accountability arrangement provide sufficiently significant incentives for executive stakeholders to commit themselves to the agenda of their democratically legitimized principals?	Does the accountability forum possess credible sanctions to punish and deter executive misbehavior?	Is the accountability forum sufficiently strong to make accountors anticipate, yet sufficiently 'safe' to minimize defensive routines so that accountors adopt the lessons learned from performance feedback and stakeholder dialogue?

Table A2: Accountability Components in ISSAIs – from Noussi (2012, pp. 48–49)

Taking table A1 above, Noussi (2012) interrogated ISSAIs with respect to expected: information provision, debate, consequences and cumulative effect (see below). She concluded that “the main objective of SAIs as laid out in the ISSAIs, is to guarantee constitutional accountability. The aspect of learning accountability is only an additional rationale for their work, which has however gained in importance with the rise of performance auditing. Finally, SAIs in principle also understand themselves as guaranteeing democratic accountability” (Noussi, 2012, p.45). This is shown in Table A2.

Table 3.2 Accountability Components: Criteria and Summary Conclusions for ISSAIs Analysis (based on Bovens, Schillemenas and ‘T Hart, 2008:238)

Assessment Criteria:	Are SAIs accountability arrangements?	Are SAIs guarantors of democratic accountability and popular control?	Are SAIs guarantors of constitutional accountability and equilibrium of power?	Are SAIs guarantors of learning accountability and effective governance?
<i>Information provision</i>	<i>The actor should be obliged to inform the forum about his conduct.</i>	<i>Democratic chain of delegation is informed about the conduct and consequences of executive stakeholders.</i>	<i>Forum gains insight into whether actor’s behavior is in accordance with laws, regulations and norms.</i>	<i>Information gathering and provision routines yield an accurate, timely and clear diagnosis of important performance dimensions.</i>
Assessment	YES: ISSAI 1: Section 10: "1. SAIs shall have access to all records and documents relating to financial management and shall be empowered to request, orally or in writing, any information deemed necessary by the SAI..."	PARTLY: ISSAI 1, Section 16.1. "The SAI shall be empowered and required by the Constitution to report its findings annually and independently to Parliament or any other responsible public body; this report shall be published..."	YES: ISSAI 1, 1.1.: "Audit is not an end in itself but an indispensable part of a regulatory system whose aim is to reveal deviations from accepted standards and violations of the principles of legality, efficiency, effectiveness and economy of financial management ..."	YES: ISSAI 200: "2.25. The SAI... should, however, seek to create ... amicable relationships with them. Good relationships can help the SAI to obtain information freely and frankly and to conduct discussion in an atmosphere of mutual respect and understanding."
<i>Debate</i>	<i>There should be an opportunity for the forum to debate with the actor about his conduct as well as an opportunity for the actor to explain and justify his conduct in the course of this debate.</i>	<i>Interaction concentrates on conformity of action with principal’s preferences.</i>	<i>Interaction concentrates on conformity of actions with laws and norms.</i>	<i>Ongoing, substantial dialogue with clients and other stakeholders about performance feedback.</i>
Assessment	YES: ISSAI 1, Section 17.2. "The SAI shall give due consideration to the points of view of the audited organizations on its findings."	NO, because independent: ISSAI 1, Section 8: "The independence of SAI as provided under the Constitution and law also guarantees a very high degree of initiative and autonomy, even when they act as an agent of Parliament and perform audits on its instructions."	YES, but not exclusively: ISSAI 1, Section 4: "1. The traditional task of SAIs is to audit the legality and regularity of financial management and of accounting. 2. In addition to this type of audit, ...there is another equally important type of audit - performance audit - ..."	YES, but with reservations: ISSAI 200, 2.15. "The SAI should be ready to advise the executive ... The SAI must ensure that in giving such advice it avoids any explicit or implied commitment that would impair the independent exercise of its audit mandate."

<i>Consequences</i>	<i>Both parties to the relationship should know that the forum or some third party is able to not only pass judgment but also to present the actor with salient consequences.</i>	<i>Ability of democratic chain of delegation to modify the actor's policies and/or incentive structures.</i>	<i>Forum should be able to exercise credible 'deterrence' vis à vis the actor.</i>	<i>Sufficiently strong outside stakeholders to make accountors anticipate, yet sufficiently 'safe' culture of sanctioning to minimize defensive routines.</i>
Assessment	YES: ISSAI 10, Principle 7: "The existence of effective follow-up mechanisms on SAI recommendations"	PARTLY: ISSAI 1, Section 16.1. "The SAI shall be empowered and required by the Constitution to report its findings annually and independently to Parliament or any other responsible public body; this report shall be published. This will ensure extensive distribution and discussion, and enhance opportunities for enforcing the findings of the SAI."	YES: ISSAI 1, Section 11.2. "To the extent the findings of the SAI's findings are not delivered as legally valid and enforceable judgments, the SAI shall be empowered to approach the authority which is responsible for taking the necessary measures and require the accountable party to accept responsibility."	PARTLY: ISSAI 400, 21.: "...performance audit is wide-ranging in nature and is more open to judgment and interpretation; ... As a consequence performance audit reports are varied and contain more discussion and reasoned argument."
<i>Cumulative effect</i>	<i>The actor is obliged to justify or explain conduct.</i>	<i>Actor acceptance of principal's right to control its policies and performance.</i>	<i>Actor awareness that powerful watchdog(s) observe its integrity and check its powers.</i>	<i>Actor commitment to continuous improvement by dialogue-induced focus on outcome achievement.</i>
Assessment	YES: ISSAI 1, Section1: "Audit is not an end in itself but an indispensable part of a regulatory system whose aim is to ... make it possible to take corrective action in individual cases, to make those accountable accept responsibility, to obtain compensation, or to take steps to prevent--or at least render more difficult--such breaches."	YES, IN PRINCIPLE: ISSAI 1, Preamble: "whereas ...the communication of information to public authorities and the general public through the publication of objective reports, are necessary for the stability and the development of states in keeping with the goals of the United Nations;"	YES: ISSAI 1, Preamble: "...it is indispensable that each country have a Supreme Audit Institution whose independence is guaranteed by law;"	PARTLY: ISSAI 200: "2.15. A degree of co-operation between the SAI and the executive is desirable in some areas. The SAI should be ready to advise the executive in such matters as accounting standards and policies and the form of financial statements."

APPENDIX 3: Measures from Morin (2011)

Table A3: “Performance Indicators for VFM audits” from Morin (2001, pp. 108–109)

Auditees’ Perceptions and Reaction with Regard to Auditors’ Influence Attempts:	Scoring (from Etverk (2002))
• Auditees’ feelings toward auditors	Positive = 4, Negative = 1
• Sources of auditees’ dissatisfaction with regard to VFM auditors’ work	Few = 4, Very many = 1
• Auditees’ reaction to auditors’ influence attempt: internalization*	High = 4, Low = 1
• Cooperation offered by auditees to auditors (in auditors’ opinion)	Very good = 4, Bad = 1
• Auditees’ misgivings of auditors’ influence attempt: legitimacy	Never = 4, Frequent = 1
Impact on Audited Organization:	
• Auditees’ perception of added value of VFM audit	Very Major = 4, Minor = 1
• Auditees’ evaluation of auditors’ findings	Important = 4, Not important = 1
• Willingness of auditees to follow-up on auditors’ recommendations	High = 4, Low = 1
• Evaluation by auditees of auditors’ overall performance	Very good = 4, Weak = 1
• Auditees’ perception of the usefulness of VFM audit for organization audited	Very Useful = 4, Not useful = 1
• Changes made by auditees to management practices	Very many = 4, Minor = 1
• Auditees’ perception of overall effect of VFM audit for organization audited**	(Best result = 4, Bad result = 1)
Contribution to the Public Debate:***	
• Stimulation of debates in Parliament	Extensive = 4, Little = 1
• Coverage by the press	Extensive = 4, Little = 1

* Etverk (2002) replaced this question with “Credibility of the auditors in the eyes of the auditees”

** Etverk (2002) did not rate this factor

*** Etverk (2002) added “stimulation of debate in audited organization” and “others” as extra contributions to the public debate.

Notes:

1. Where no indicator, 2 was used
2. Scores were totalled and a score of 60% or greater was assumed to be a success. Four of the six audits were a success (scoring from 61% - 93%) and two scored as 46% and 52% respectively.

Table A4: “Success Factors in Influence Attempts” (for VFM/performance audits) from Morin (2001, pp. 112–113)

Factors Linked to VFM Audit Process:	Scoring (from Etverk (2002))
• Auditees’ perception of a participating leadership style in auditors*	
• Auditees’ perception of a preference for collaboration on part of auditors	Collaboration = F, Confrontation = I
• Auditees’ perception of power relations between auditors and auditees	None = F, Auditor in power relation = I
• Credibility of auditors in eyes of auditees	Competent = F, Not competent = I
• Auditees’ perception of connotation of auditors’ modes of influence and types of message**	Consultant/co-operation = F, Watchdog/control = I
• Auditees’ degree of influenceability	High = F, Low = I
• Auditees’ level of commitment	High = F, Low = I
• Auditees’ level of tolerance to criticism	High = F, Low = I
• Degree of fluidity in communications between auditors and auditees	Very good = F, Weak = I
Factors Linked to Existence of Environmental Conditions:***	
• Reinforcing influence attempt	(Facilitating influence attempt = F, Impeding influence attempt = I)
• Neutralizing influence attempt	

* Etverk (2002) did not rate this factor, instead adding “Auditees’ perception of a tone of the report”, “Auditee’s understanding of the recommendations presented in the report”, “Auditees’ perception as to whether the evaluation criteria were justified”, Nature of auditees’ previous experiences with the auditors”

** Etverk (2002) replaced this question with “Auditee’s perception of the role of the auditors”

*** Etverk (2002) replaced these questions with: “Willingness at staff level and in the central authority of the organization”, “political will”, “timing of the VFM audit”, “reorganizations in the body being audited”, “reform at government level”, “possibility of the subject matter of the audit having priority in the audited organization” as factors linked to existence of environmental conditions.

Notes:

1. These were scored as: Facilitating influence attempt = F, Facilitating less intensively = F*, Impeding influence attempt = I
2. The numbers of F and F*s were added, as were the number of Is. The majority (F/F* or I) indicated whether the factors provided a reinforcing influence or a neutralizing influence. Three of the six audits were deemed reinforcing and the other three received more neutralising influences which would mean that recommendations were less likely to be taken up.

APPENDIX 4: Types of impact indicators used by SAIs from Van Loocke and Put (2011, p.197)

Type indicator	SAI	Indicator	Score
Implementation of audit recommendations	Office of the Auditor-General of Canada	Percentage of performance audit recommendations reviewed that are endorsed by the PAC. Percentage of performance audit recommendations implemented four years after their publication	In the year 2006-7 the rates for both indicators were respectively 74% and 44%
Auditees' views on the value of the SAI's work	Office of the Auditor-General of Canada	Percentage of departmental senior managers who found our performance audits add value	60%
Number of SAI's audit reports discussed in Parliament	Belgian Court of Audit	Number of performance audit reports discussed in the Flemish Parliament	In both 2006 and 2007, 91% of reports and in 21008 100% of reports were discussed in the Flemish Parliament
Parliament's view on the value of the SAI's work	Australian National Audit Office	Parliament acknowledged the value of the ANAO's contribution	95% of Parliament Members surveyed expressed satisfaction with the ANAO products
Number of times an ASAI is featured in the media	Belgian SAI	Media interest for audit reports	Qualitative indicator – evaluated by audit and not aggregated
The financial impacts of an SAI's audits	National Audit Office	Financial impacts achieved	In budgetary year 2007-08 a financial impact accounting to £9.28 was achieved for every £1 of NAO's operating cost

APPENDIX 5: Measurement of value by SAIs in this study – detail

Categorisation	Positive Impact measured by:
SAI Independence (L&S)	All assert they are independent and have appropriate legislative authority, but call for more resources (Jamaica), being stretched (Australia, ⁵³ South Africa and UK). Canada reports it has not met its “on-budget targets” (p.3) ⁵⁴ and highlights the costs of audits, rather than the number. ⁵⁵ South Africa notes how it is working towards sustainability and levels of debt collection ⁵⁶
Ensuring public sector accountability (PV)	(1) Strategic plans to ensure public sector accountability (assist in the management of public sector risk) (Australia, Bangladesh ⁵⁷ , Canada, Estonia ⁵⁸ , Hungary ⁵⁹ , Jamaica ⁶⁰ , New Zealand, South Africa, UK, US); (2) Dollar value of funds saved due to audits (UK, US) (showing public benefits); (3) Developing networking relationships with other agencies (e.g. Anti-Corruption Commission, Information Commission - Bangladesh ⁴¹ , Public Accounts Committees - Jamaica ³⁸ , other departments – South Africa ⁵⁶ , Turkey, UK, US); (4) None report on raising Parliamentary oversight body competency.
Lead by example (OC)	(1) Reports include annual reports (16), annual plan (Canada, Hungary, New Zealand, Switzerland and US) & strategic plans (12 – not Iceland, Jamaica, Poland, or Switzerland); (2) Budget published (Canada, Jamaica, New Zealand, South Africa, Turkey, UK, US) and report on audit fee increases (New Zealand);

⁵³ ANAO Annual Report 2014-15. Australian National Audit Office. Downloaded from: <http://www.anao.gov.au/~media/Files/Annual%20Reports/Annual%20Reports/2014%202015%20Annual%20Report/2014%202015%20Annual%20Report%20PDF.pdf>.

⁵⁴ 2013-2014 estimates Performance Report Office of the Auditor-General of Canada. Downloaded from: http://www.oag-bvg.gc.ca/internet/English/acc_rpt_e_39916.html.

⁵⁵ See also 2015-16 Report on Plans and Priorities Office of the Auditor-General of Canada. Downloaded from: http://www.oag-bvg.gc.ca/internet/docs/acc_rpt_e_40234.pdf.

⁵⁶ 2014-15 Integrated Annual Report, Auditor-General South Africa. Downloaded from: <https://www.agsa.co.za/Documents/AGSAreports/AGSAsannualreports.aspx>.

⁵⁷ Strategic Plan 2013-2018 Office of the Controller and Auditor-General of Bangladesh. Downloaded from: http://www.cagbd.org/publication/strategic_plan_2013-2018.pdf.

⁵⁸ See strategy highlighted in Annual Report 2010, Estonia National Audit Office (Riigikontroll). Downloaded from: <http://www.riigikontroll.ee/Riigikontrollkuiasutus/Tegevusaruandedmajandusaastaaruanded/tabid/143/language/en-US/Default.aspx>.

⁵⁹ Strategy 2011, State Audit Office of Hungary. Downloaded from: https://www.asz.hu/storage/files/files/Angol_portal/Introductions/sao_strategy_2011_2015.pdf.

⁶⁰ Auditor-General's Department Strategic Business Plan, Auditor-General of Jamaica. Downloaded from: http://www.auditorgeneral.gov.jm/files/u5/AGD_Strategic_Business_Plan_2012-2015_.pdf.

	<p>(3) Clean audit reports on SAI's annual report are published (Australia, Canada, Estonia, Iceland, Ireland⁶¹, Jamaica, New Zealand, South Africa);</p> <p>(4) Quality of staff, including committees/executive memberships, awards, training programmes, secondments, turnover, staff satisfaction (Australia, Bangladesh, Canada, Estonia, Iceland, Jamaica, New Zealand, South Africa, Switzerland, Turkey⁶², UK, US⁶³). Poland 'advertises' for more staff, highlighting the necessary skills.³⁹ (Australia also notes it has "deployed experienced staff to audit institutions in Indonesia and Papua New Guinea" (p. 6)⁵³);</p> <p>(5) Quality of governance, ethical standards, quality assurance, internal audits, use of audit standards (Australia, Bangladesh, Canada, Iceland, Jamaica, New Zealand, South Africa, UK), staff efficiency/allocation (Iceland, Jamaica), IT capacity (Turkey)⁶⁴;</p> <p>(6) Environmental strategy and results of sustainability programme (Australia, Canada, South Africa⁶⁵, UK⁵¹), Social Reporting (South Africa)</p>
Building trust (L&S)	<p>(1) Peer reviews (Bangladesh, Canada, Poland), Audit Committee (Australia), National and international indicators of trust, government or office (e.g. Report on Integrity – Bangladesh, international comparisons - New Zealand⁴⁰);</p> <p>(2) For performance reports, using focus groups (Jamaica), Panel of Experts (Poland);</p> <p>(3) Independent review of outsourced auditing (New Zealand).</p>
Independently & objectively supporting reform (PV)	<p>(1) Number of completed audits and timeliness (including performance audits) (Australia, Bangladesh⁶⁶, Canada (including on sustainable development)⁵⁴, Estonia, Hungary, Jamaica⁶⁷, New Zealand, Poland, South Africa, Turkey, UK), number of unqualified reports issued (Jamaica, New Zealand) (agency);</p>

⁶¹ Accrual Financial Statements for the year ended 31 December 2014, Office of the Comptroller and Auditor-General. Downloaded from: http://www.audgen.gov.ie/documents/miscreports/AccrualAccounts_2014.pdf.

⁶² 2014 Accountability Report, Turkish Court of Audit. Downloaded from: <http://www.sayistay.gov.tr/en/?p=3&CategoryId=20>.

⁶³ 2016 Fiscal Performance Plan, US Government Accounting Office. Downloaded from: <http://www.gao.gov/products/GAO-15-309SP>.

⁶⁴ 2014-18 Strategic Plan, Turkish Court of Audit. Downloaded from: <http://www.sayistay.gov.tr/en/?p=2&CategoryId=16>.

⁶⁵ 2014-17 Strategic Plan and Budget, Auditor-General South Africa. Downloaded from: <https://www.agsa.co.za/Documents/AGSAREports/Budgetandstrategicplans/tabid/94/id/14/Default.aspx>.

⁶⁶ The Bangladesh Annual Report (see footnote 37) provides examples of the results of specific audits, the major observations and reasons for irregularities, including the total amount involved, as does the US (see footnote 39).

⁶⁷ The Jamaica Annual Report (see footnote 37) provides examples of a number of reviews, the findings and assessment/recommendations, as does Switzerland (see footnote 42).

	<p>(2) Reporting that quality of underlying reports have improved (Estonia) including timeliness (New Zealand). Benchmarking services to public sector (Canada, Hungary, New Zealand, UK) (signalling);</p> <p>(3) Number of reports tabled with Parliament (or appropriate body) (Australia, Bangladesh, Canada, Jamaica, New Zealand, South Africa, Turkey, US), recommendations made to improve efficiency and effectiveness (and their take-up) (Australia, Canada, Iceland, New Zealand, US), or just number of meetings with Parliament (Iceland – also reports on auditees’ internal controls) (organisational control);⁶⁸</p> <p>(4) Feedback from auditees: Australia = 84% satisfaction of auditees, 90% from Parliamentarians,⁵³ Canada = 89% for financial audits,⁵⁴ Estonia, Ireland, New Zealand (including by interview), UK, US⁶⁹) (agency, signalling);</p> <p>(5) Better practice guides (including on governance in the sector - Australia⁵³, Ireland⁴⁵, New Zealand, UK), contribute to Bills (Iceland⁷⁰) (towards organisational control)</p> <p>(6) Report overseas influence and input (Australia, Bangladesh, Canada, Estonia, Iceland, New Zealand, Poland, South Africa, Turkey, UK, US) (externalities)</p>
Responsive-ness and voice (OC)	<p>(1) Strategic objective to ensure that users and managers find audit reports understandable to support democracy (Canada, Norway, Iceland, Jamaica, Turkey). Australia “supported initiatives to make financial statements easier to read and less burdensome” (p. 2) providing an overview of its results⁵³ and recognised who its key stakeholders were⁴⁸, while Bangladesh provided a list of acronyms⁴¹ as does Switzerland⁴⁶ and US. Canada and South Africa, key terms used⁵⁴, Hungary notes it has restructured its audit reports to better suit users’ needs⁵⁹;</p> <p>(2) Recognise the digital era and the drive to transform services (Australia)</p> <p>(3) Citizens’ complaints directs work (Hungary, New Zealand, Switzerland), as does consultation with Parliament (New Zealand⁵⁰, Poland);</p> <p>(4) Count press releases, website visits (Iceland, Jamaica, Poland), correspondence (Jamaica, UK), assess stakeholder expectations and needs (New Zealand⁷¹), number of mentions in Parliament (UK).</p>

⁶⁸ The Estonian Annual Report (see footnote 52) includes copies of speeches made by the Auditor-General to Parliament (the Riigikogu) and the response from a member of the Riigikogu.

⁶⁹ Office of Inspector General U.S. Government Accountability Office Strategic Plan Fiscal Years 2016–2020. Downloaded from: <http://www.gao.gov/assets/680/675036.pdf>.

⁷⁰ The INAO’s 2014 Annual Report, Rikisendurkodu. Downloaded from: http://www.rikisendurskodun.is/fileadmin/media/skyrslur/INAO_Annual_Report_2014.pdf.

⁷¹ The Auditor-General’s strategic intentions 2014/15 to 2017/18, Controller and Auditor-General. Downloaded from <http://www.oag.govt.nz/2014/strategic-intentions/docs/strategic-intentions.pdf>.

**Summary of above:
Measures of value by Supreme Audit Institutions**

Categorisation	Australia	Bangladesh	Canada	Estonia	Hungary	Iceland	Ireland	Jamaica	New Zealand	Norway	Poland	South Africa	Switzerland	Turkey	UK	USA
<i>SAI Independence</i>																
Independent and with appropriate legislative authority	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Calling for more resources or currently stretched	Y							*				*			*	
<i>Ensuring public sector accountability</i>																
Strategic plan to ensure accountability or manage risk	Y	Y	Y	Y	Y		Y	Y	Y			Y			Y	Y
Dollar value of savings reported															Y	Y
Relationships with other agencies		Y						Y				Y		Y	Y	Y
Raising Parliamentary oversight body scrutinising competency																
<i>Lead by example</i>																
Annual report of SAI	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Strategic plan of SAI	Y	Y	Y	Y	Y		Y		Y	Y		Y		Y	Y	Y
Budget of SAI			Y					Y	Y			Y		Y	Y	Y
Report on audit fee increases									Y							

Y= SAI measures positive impact

* = SAI indicates concern