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## Auditors' understanding of evidence: A performance audit of an urban development programme

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### Abstract

This article uses a case study to analyse two main dilemmas that performance auditors face when auditing complex interventions in governance. The first dilemma, concerning the performance auditors' roles as improvement agents and independent controllers, is that the improvement agenda often implies interacting closely with the auditees whereas controlling requires independence. The second dilemma pertains to the auditors' choice of pre-planned audit criteria which limit what evidence the auditors can document. This choice affects the auditors' role of holding a government to account. It also affects the type of information divulged to stakeholders concerning the social intervention that is evaluated.

Key words: governance, complex interventions, process evaluation, control, role conflicts

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Running head: Reichborn-Kjennerud and Johnsen: Auditors' understanding of evidence and information value

La façon dont l'auditeur comprend les données dans certains cas risque de diminuer la valeur de l'information: Voici l'exemple d'un audit de performance (audit opérationnel) effectué sur un programme de développement urbain

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Cet article utilise une étude de cas afin d'analyser les deux dilemmes les plus importants auxquels font face les auditeurs de performance dans leurs audits des interventions complexes. Le premier dilemme pour les auditeurs de performance concerne leurs rôles en tant qu'agent de l'amélioration mais aussi de contrôleur indépendant, étant donné que le programme pour l'amélioration implique une interaction étroite avec les entités à auditer tandis que le contrôle exige l'indépendance. Le second dilemme se présente au sujet des critères d'audit qu'a choisis l'auditeur au préalable, et qui limitent le nombre de données qui peuvent être documentées. Ce choix influe sur la possibilité de l'auditeur de tenir l'administration responsable ainsi qu'il influe sur le type d'information divulgué aux parties prenantes.

Mots clés: gouvernance, interventions complexes, évaluation de processus, contrôle, conflit de rôles

## Introduction

Complex, multi-party governance arrangements are now widespread in the public sector (Jacquier 2005; Pierre and Peters, 2000). In these arrangements, accountability is less clear than in traditional hierarchical government and co-operation between administrative units on different levels is a success criterion. This complicates management and accountability. Nevertheless, governmental spending, due process and efficient and legitimate outcomes need to be monitored and assessed. The elected politicians need information about how the money was spent and what was obtained. With new public management (Hood, 1991) and the increased delegation of public tasks, audits and evaluations have become important tools to provide such information. Performance audits and evaluations might, however, be challenging in complex governance structures (Ling, 2007).

This article shows that there are two major challenges for the auditors. First, the auditors' need for independence is hard to combine with methods that extensively involve those who are evaluated. This might limit the auditors' influence. Second, the auditors' use of audit criteria might limit what evidence they can document. This might reduce information value to stakeholders.

This article is based on the case of a performance audit of an urban development programme, conducted by the Office of the City Auditor in one of the larger cities of Norway. The urban development programme presented in this article was audited in its second year of a ten-year period. This audit was performed in order to help develop and improve the programme and thereby increase its overall impact. Part of the discussion in this article deals with what implications it might have that auditors assume certain roles, negotiate audit criteria and gather evidence during a complex intervention such as an urban development programme.

The resulting role conflicts and the challenges these conflicts posed to the municipal auditors may, however, have external validity beyond municipal auditing and the particular national setting of Norway. This is because new or changing audit roles, stemming from new accounting and evaluation methods and changing external demands, are a general phenomenon in many countries that use complex governance structures in public sector reforms and programmes.

The case in this article was selected because of its potential to open up the ‘secret garden’ of performance auditing in order to describe some of the internal processes in audit organisations (Koenig, 2009; Ling, 2007; Simons, 2004). The audit of the urban development programme utilised a wide range of data sources. Programme participants, project managers and district council administrators were interviewed, and the findings from the interviews were triangulated with an in-depth document review. The article focuses in particular on the area-based projects in the urban development programme. These projects sought to empower communities and encourage residents to improve their streets and public spaces and strengthen their local community. The area-based projects were some of the largest projects in terms of expenditure, and they were also some of the most prestigious projects on a political level. The area-based projects comprised both physical measures, such as upgrading parks, and social measures, such as initiating women’s networks.

The remainder of this article is outlined as follows. The next section presents audit and evaluation research as the theoretical backdrop for the case study. The subsequent section presents the case, contextualises the audit by describing how the governance structure functioned in the area-based projects, and describes some aspects of the audit process. The final section is a discussion of the auditors’ dilemmas.

## Evaluation as performance audit

### New audit forms

In many public sector reforms during the 1980s and 1990s, decentralisation has been one of the key ingredients. Along with the delegation of authority, performance measurement and performance auditing have often been developed (Johnsen et al., 2001; Ling, 2007; Pollitt and Bouckaert, 2004; Power, 2005). Performance audits are conducted by organisations on different governmental levels, such as supreme audit institutions (SAIs) at the national level and municipal auditors at the regional and local levels. The audit institutions' mandate is to establish whether public policies, programmes, projects or organisations have operated with due regard to economy, efficiency, effectiveness and good management practice (Donaldson and Lipsey, 2006; Johnsen et al., 2001; Lonsdale, 2000; Pollitt et al., 1999; Power, 1997).

Performance audits and programme evaluations may in some respects converge (Leeuw, 1996). Programme evaluation is a systematic way to learn from past experience by assessing how well a programme is working. Though a performance audit also assesses the workings of programmes, policies and other government actions (Ahlenius, 2000), there are also important differences between performance audits and evaluations. For one, they are carried out under different conditions (Khakee, 2003). An important distinction is the institutional position of the auditors and evaluators and their relation to the investigated bodies. Performance auditors hold an independent position (Ahlenius, 2000) whereas evaluators seldom do. Performance auditing is statutory and the auditees are bound to provide the information the auditors demand. This is not the case for evaluators. Performance auditing is done with a perspective of guardianship and control and for holding public bodies to account (Johnsen et al., 2001;

Leeuw and Furubo, 2008), and it is more concerned than evaluations with checking processes than with asking more open questions (Keen, 1999). Auditors also use normative standards in assessing results (Ahlenius, 2000). All judgements are based on audit criteria, and these criteria are central to the entire process of auditing. Performance auditing is not, and could not be, purely factual or evidence-based. The facts have to be confronted with certain criteria before a judgement can be made (Pollitt et al., 1999). While evaluations also apply criteria (Scriven, 1973), the scope and applicability of these criteria differ. With increasingly complex supply chains in the public sector, auditors have started to use evaluative methods (Ling, 2007). There are different traditions in evaluation, ranging from more positivist paradigms to more dialogue-based and explorative ways of undertaking evaluations (Bobrow and Dryzek, 1987; Guba and Lincoln, 1989). There are also many different evaluation purposes (Chelimsky, 2006; Donaldson and Lipsey, 2006; Shaw et al., 2006). There is, nevertheless, as Khakee puts it a 'growing convergence in evaluation research towards stakeholder-oriented, communicative, disaggregated and multi-dimensional methods' (Khakee, 2003:349). An important question to ask is whether these methods could be more appropriate in the audit of certain types of governance structures than the methods normally used in performance audits (Van Der Meer and Edelenbos, 2006).

### Performance audit criteria

Performance audits focus mainly on economy, efficiency and effectiveness (Ahlenius, 2000). The International Organization of Supreme Audit Institutions (INTOSAI), which operates as an umbrella organisation for the external government audit community, defines performance audit as an independent examination of the efficiency and effectiveness of government undertakings, programmes or organisations, with due regard to economy, and with the aim of leading to improvements.

Audit bodies whose mandate includes performance auditing might conduct reviews in an auditing style or in a more evaluative style to achieve performance improvement in auditee organisations (Barzelay, 1997). Inspections of auditor reports, nevertheless, reveal a strong inclination to focus on procedures rather than actual performance (Thiel and Leeuw, 2002). Several researchers state that there is too much focus on process at the expense of quality or content (Blume and Voigt, 2007; Elliott, 2002; Johnsen et al., 2001; Morin, 2001, 2004; Thiel and Leeuw, 2002). Davis (1990) addresses the issue of scope when discussing the difference between evaluation and performance auditing. Auditors tend to be more concerned with legal and procedural compliance than evaluators. Were evaluators to judge with the same narrow scope as auditors, the evaluations might end up being simply ‘nitpicking’ and ‘bean counting’. Some researchers even state that this type of auditing, focusing on the procedural and formal information of performance, might be counterproductive and that formal standards reviewed by auditors will not contribute to performance improvement (Leeuw, 1996). Nevertheless, work towards achieving performance improvement is by some judged as the right way to go given the challenges modern societies face, since it supports learning and innovation (Owen et al., 2005; Roth, 1996).

The practical value of evaluation research has been questioned (Barnekov and Hart, 1993; Spicer and Smith, 2008; Weiss, 1979). The effectiveness and purposefulness of performance audits might be questioned in the same way. The value for money of a performance audit will depend upon the relevance of its results for the stakeholders. It is therefore important to scrutinise the process and design of performance audits.



The audit examination's focus and the criteria employed are likely to impact the direction of the study, the methods employed and the outcome of the work. The posing of more evaluatory questions will require more varied and complex methods to be adopted. The value of these audits might be greater than an examination of procedural compliance or management practice (Pollitt, 2003), or these methods might be conceived as being incompatible with the performance auditors' institutional role and the way they operationalise audit criteria.

Not much is written in academic journals on the subject on how auditors do their work (Pollitt et al. 1999). At the same time quite a lot is written about the subject within the audit community itself both pertaining to governance, risk management, control, performance audit, internal control, internal audit, and IT audit. Organizations like the IIA, ISACA, INTOSAI and the COSO have written frameworks and reports that can be used for informational and educational purposes by the auditors. Still little is known of how auditors actually manoeuvre when they are in action, according to Skærbæk (2009). Though some researchers have studied the type of judgement auditors make (Keen, 1999; Khalifa et al., 2007), it remains to examine in what way the process of choosing and operationalising audit criteria affect the evidence gathered. This article attempts to describe such a process by focusing on the dilemmas the auditors confront and the choices they make.

### Auditor independence

Auditing entities are independent of those who are audited. They serve as tools to control the dispositions of the auditees, which mean that the auditors cannot be actively involved without compromising their own judgement. Nevertheless, the auditors' mandate includes contributing to improvement (Eriksen et al., 2000; IIA, 2001; Riksrevisjonen, 2005).

Such contributions increasingly emphasise evaluation as a means of monitoring processes instead of measuring outcomes or impacts. Earlier evaluations were primarily concerned with measuring programme effects and comparing these to the programme's goals and objectives, in order to judge the programme's success in achieving its aims. This type of evaluation is often called a summative evaluation (Baklien, 1993; Centra, 1987; Dehar et al., 1993; Martin and Sanderson, 1999; Spicer and Smith, 2008). Evaluators increasingly recognise that substantial slippage can and does occur between programme plans and actual operations (Pressman and Wildavsky, 1984), depending on decisions and events during the implementation phase. This recognition has increased interest in studying the process of programme implementation. A process orientation entails a potential for evaluators to actively help to create more successful programmes. Two types of evaluation have ensued: the formative process evaluation and the summative outcome evaluation. The formative process evaluation is concerned with improving the actual programme in question during its unfolding (Dehar et al., 1993; Ling, 2007). In such an evaluation, however, the auditors might face dilemmas if they interact too closely with the auditees, and this might prevent the auditors from holding the government to account (Ling, 2007).

According to Davis (1990), some argue that an evaluation report's technical quality is enhanced when the evaluator acts independently of those who control what is being evaluated. This also enhances the credibility of the results. On the other hand, those being assessed are often less involved in the process when audited than in evaluations. The formal and procedural distance between the auditee and the auditors might make feedback more difficult in performance audits than in evaluations. Some researchers have described the auditors' feedback attempts as naive and somewhat mechanistic (Leeuw, 1996; Khakee, 2003). Strict evaluator independence and processual distance also increase the risk that the evaluator will

address questions of less interest to the evaluation's users. When facing such challenges, auditors have come to realise that they need to engage more closely with the auditees than they are used to in traditional audits, even though the degree to which performance auditors consult with auditees varies greatly (Lonsdale, 2008; Pollitt, 2003; Skærbæk, 2009).

### Evaluating complex interventions

Evaluation can be classified by complexity, with more complex programmes and interventions harder to fit into a theoretical framework. An urban development programme can be seen as such a complex intervention. This kind of programme is a non-hierarchical process through which public and private actions and resources are coordinated and given a common direction and meaning. Governance is typical for policy implementation on the local level – for example urban governance (Røiseland and Vabo, 2008). Complex interventions present a challenge for both auditing and evaluation in that the understanding of evidence, accountability and explanations is more intricate (Andersson and Musterd, 2005; Ling, 2007). Evaluation can still help assess what kind of governance structures work better (Stame, 2008). Evaluating organisational forms and implementation structures that are based on networks, partnership and collaboration is nevertheless a challenge for the evaluators (Jobin, 2008). Sceptics argue that theory-driven evaluations that draw upon causal models of inputs and outcomes might not be appropriate in assessing this kind of organisation (Van Der Meer and Edelenbos, 2006). The anxiety provoked by uncertainty and ambiguity can, nevertheless, lead evaluators to seek the reassurance of a simple logical model, even when this is not appropriate (Rogers, 2008).

Several methods to deal with the complexity of evaluating governance models have been launched, from negotiation-based methods and methods that are qualitative, communicative,

iterative and participative to transaction cost-based approaches (Dobbs and Moore, 2002; Jobin, 2008; Rogers, 2008; Haveri, 2008; Russo and Rossi, 2009; Sharkey and Sharples, 2008). The constraints imposed by the requirements of consensus and partnerships have created hybrid forms of evaluation which emphasise collaboration, negotiation and professional development, but avoid evidence-informed accountability. The focus on evidence-informed accountability is nevertheless seen by many as more troublesome than beneficial (McNamara et al., 2009). The auditors deal with the same type of complex interventions as evaluators do, but the auditors' institutional framework differs. As a consequence of their institutional function they are especially engaged in evidence-informed accountability. When assessing complex interventions, it is an open question whether the auditors can, are willing to or ought to use approaches similar to those used by evaluators.

### The role of evaluation in complex interventions: The case of a performance audit of an urban development programme

Systems of governance mean that 'government', whether centralised or local, does not govern alone, but rather co-produces with other stakeholders and participants. Policy networks are organised across policy areas and governmental levels beyond the formal structures of government. Institutional power and capabilities are derived from a capacity to wield and coordinate resources from public and private actors (Jacquier, 2005; Tosics and Dukes, 2005).

Many politicians, policy-makers and practitioners plea for area-based strategies to tackle urban social problems (Andersson and Musterd, 2005). Urban development programmes are usually organised in a governance structure as described above. They are embedded in a complex interplay between national, sub-national, local and sub-local levels of government.

There are two local levels in the case analysed in this article: the metropolitan and the neighbourhood level. They consist of administrative units with a democratically elected authority (Blanc and Beaumont, 2005). In addition, there are sub-local entities with little formal administrative power (housing associations, civil organisations, etc.). Local governments may transfer substantial power to subordinate entities (Tosics and Dukes, 2005).

In this field of territorial co-operation not everything depends on local authorities. Agencies and public bodies that have been entrusted with the task of supplying goods and services are at the heart of this co-operation. These entities, on which the success of such co-operation depends, are organised according to a distribution of functions. The hardest thing to set up is horizontal co-operation between the various sector policies (housing, town planning, security, social services, education, culture, etc.) and the range of different services, agencies and public and private bodies that implement them. This difficulty is due to differences in skills, working methods and organisation which give rise to significant resistance (Jacquier, 2005). Jacquier (2005) therefore calls this phenomenon ‘conflictive co-operation’.

The urban development programme has all the characteristics described above. The programme has a governance structure while the agencies are line organisations. The remainder of this section will analyse the case of the performance audit of this programme to see whether the organisation’s make-up might pose challenges in a performance audit. The subsequent discussion section will reflect upon the auditors’ role in this process and discuss the dilemmas such a project might present to them.

## The urban development programme

The Norwegian state and the municipal authorities of the city in question initiated the urban development programme in the four district councils that preside over the city's northern suburbs. The 10-year programme involved several political and administrative layers, various sector policies and private bodies from the neighbourhood level, such as housing cooperatives, shopping centres and the like.

Four district councils were charged with initiating and effectively implementing a large part of the programme. The programme area is characterised by a diverse population, with ethnic minority groups comprising 30–40 per cent of the residents. Moreover, the suburbs face distinct socio-economic challenges pertaining to areas such as health, housing, education and employment. Compared to the city's average, the area has high levels of unemployment, and its residents are more likely to have little or no education and poor health. The main objectives of the programme were to improve the living conditions and the quality of life in the area. The district councils had a central role in implementing the programme. They implemented projects, allocated funding and administered the overall programme activity within their districts.

The Office of the City Auditor decided to investigate this programme, the objective being to contribute in an early phase. The auditors contended that a great deal of money was at stake and that it would be better to make recommendations at an early stage rather than at the end of the decade-long programme, which would have been too late for influencing the programme's outcome. The scope of the evaluation was limited to the projects and resources managed by the district councils, and not the programme as a whole. This article analyses the execution of the performance audit.

## Conflictive co-operation between the district councils and the sector policies

Initially, the funds granted for the area-based projects were delayed. Therefore, the work in the projects started autumn 2007. The administration in the district councils formulated project plans and reported to their programme group and the committee according to these plans. The project reports showed that there were delays in many projects. The project managers stated that they lacked certain key competencies (especially regarding procurement) and that it had been difficult to carry out project ideas that involved other parties, both private participants and municipal agencies. The delays were also considered as start-up problems, due to the lack of sufficient planning time.

During the course of the audit, the district councils expressed concern with the way the external agencies seemed to ignore their area-based approach. As expressed by one of the project managers,

The urban development programme is dominated by the municipal agencies. The area-based projects are cross-cutting the sector divide whilst the agencies work according to it. This is challenging to the district councils. (Urban Development Programme Project Manager)

This problem of lacking co-ordination also troubled the housing authorities, which funded the area-based projects and acted as their 'owner'. As expressed by one of the managers,

The collaboration between the municipal agencies and the district councils has to improve.

Another type of system has to be put into operation. The area-based projects will not succeed if

the areas run by the municipality appear as badly maintained in seven years as they do now.

(Housing Authority Manager)

According to the project managers, the municipal agencies made plans that conflicted with those of the area-based projects. Examples were given of measures that would increase traffic and reduce the attractiveness of parks prioritised by the area-based projects. The project managers feared that the lack of co-operation represented a risk to the project's objectives. The project managers had also experienced that the agencies withdrew from the district councils' projects if they had to prioritise their own tasks. According to the housing authorities, priority was not given to the programme. They felt that this development was not in line with the intentions and statements in the agreement between the state and the municipality.

Both the district councils and the housing authorities pointed out what they saw as an ineffective decision-making process. All decisions had to be made by the directors of the agencies in question. This process was too lengthy and complex and represented major hindrances to the district councils. According to one of the project managers, this implied that they had to consult the administrative leaders in their own district councils, who in turn had to consult the other district councils; the top leaders of the district councils then had to contact the given programme group and/or the top leaders of the municipal agencies. These concerns were not only stated to the auditors, but were also expressed in project reports and other communication with programme staff.

The local planning authorities had a conflicting opinion. The agencies had resolved budgets and allotment letters that specified their priorities. In their view the agencies could not be expected to automatically prioritise the area-based projects if they were not reflected in these



plans. The local planning authorities also mentioned other complicating matters that might contribute to challenges, such as other existing plans for the area and control processes that were time-consuming.

The secretariat asserted that the agencies were committed to their own plans and objectives and were unable to reallocate their budgets to support the area-based project on short notice. According to the secretariat, the agencies were not supposed to carry things out for the project managers in the area-based projects. The secretariat emphasised that the project managers were responsible for their own projects. Both the secretariat and the local planning authorities stated that the challenges and delays in the area-based projects were due to the district councils' lack of competence in project management and their inability to lead infrastructure projects.

The secretariat acknowledged that the project collaboration between the district councils and the agencies needed improvement. It nevertheless pointed to the fact that the structural changes in the northern suburbs were not part of the programme, as the programme addressed only part of the challenges the northern suburbs faced.

According to the local planning authorities, conflict and challenges would and should be addressed and solved in the line organisations. In their view it was paramount that priorities and decisions were made high up. The programme groups did not and should not have a mandate to instruct the agencies. The project managers, on the other hand, stated that more formalised instructions from the departments of the municipality were needed to remedy these problems. During the evaluation, the local planning authorities nevertheless appointed a contact for the area-based projects in order to ensure smooth co-operation and coordination.

## The auditors' handling of the performance audit

Some of the large Norwegian municipalities have a parliamentary system, where the local city parliament controls the administration of the city government/board of aldermen through a control committee. The control committee performs its control through the Office of the City Auditor. The Office of the City Auditor is independent from the local government as its principal is the city parliament.

Following the enactment of the new Local Government Act in Norway in 1993, performance audits became mandatory in the municipalities (Johnsen, 2003). The local control committee formally orders these performance audits and the Office of the City Auditor carries them out. In practice, though, the Offices of the City Auditor most often decide the projects, since they put forward the audit proposals. After the audits are carried out, the city parliaments are informed through audit reports. The media is often interested in these reports, which are available to the public. Since 2002 the municipal auditors base their performance audits on the standards of the Norwegian Municipal Auditor Association. These standards prescribe assessments of the economy, efficiency and effectiveness of the local governments' departments and agencies.

The performance audit in this case was set up as a process evaluation. In a process evaluation the subject matter is somewhat different from a summative evaluation, because the former is conducted before the given programme expires. The process evaluation could therefore not conclude on matters concerning the long-term effects of the programme. Instead, the evaluation could draw attention to obstacles and challenges and thereby help develop and improve the programme from an early stage. Formative process evaluation has the potential to

improve the understanding of the factors influencing programme outcomes (Dehar et al., 1993). Even though an audit is set up to help improve a programme, and the ultimate aim of the audit is to contribute to changes in order to improve operations and results, it is also a control tool.

At the preliminary meeting of the performance audit, some auditees called into question the auditors' presence at such an early stage of the programme. Some auditees were worried that the audit would be confined to pointing out a lack of compliance with standards, rules and regulations. They were also concerned that the audit would bring up 'yesterday's news'. The auditors reassured them that the audit would base its conclusions on updated information. It was stated that the aim of the audit was to help secure at an early stage the success of the programme. In evaluation terms this audit equals a formative process evaluation.

As the auditors found out when attending several meetings with all the main parties present there were not one but several stories to be told, not one truth but several accounts of the facts. In group meetings there were discussions concerning the challenges in the projects. This was a natural consequence of the governance character of the programme.

There were delays in the programme's area-based projects. It was primarily some of the project managers and the housing authorities who brought these challenges to the auditors' attention. The project managers in the area-based projects and the housing authorities perceived these delays as a structural problem caused by inefficient decision-making processes and lack of leadership. The housing authorities asked the auditors for a separate meeting to present the area-based projects and share their point of view.

The issue of a separate meeting launched a discussion amongst the auditors about whether the evidence in the audit report was sufficiently balanced. An audit report has the potential to create an impact both through the media and through departmental instructions. It is therefore crucial that the auditors are not seen as spokesmen for one party or the other. This might represent an even greater risk in an urban development programme, whose core activity is bargaining. As a consequence, it was concluded that an additional talk with representatives from the agencies was required. When confronted with the allegations from the housing authorities, the agencies' representatives revealed their side of the story. The agencies perceived the problem to be caused by a lack of competence in the project organisations.

Working with the report, some of the auditors were concerned that the managing of the programme and the lack of co-operation (i.e. between the district councils and the agencies) had become a control issue. They felt it was hard to establish audit criteria, and they started discussing whether it was the business of the auditors to address this. Other auditors felt that a successful co-operation was a major success criterion for the programme and therefore had to be addressed. They argued that the relevant audit criteria were stated in the agreement between the state and the municipality and in the action plans. Others felt that these criteria were not stated clearly enough for being utilised in the audit.

The initial agreement between the state and the municipality highlighted co-operation and the area-based strategy as important:

The national government and the city government agree to emphasise the importance of the local co-operation between the district councils and other public institutions (...)

The agreement aims at an area-based way of working. The development of areas as well as the planning and implementation of measures are to be integrated within geographical areas.

(Translation from the Agreement between the State and the Municipality)

The programme's action plans also emphasised co-operation as important for achieving the programme's goals. During the evaluation, the political leaders of the programme also decided to emphasise the programme's area-based character in their annual meeting. Such signals clearly stated that the area-based projects were to be prioritised. The audit criteria of the performance audit were extracted from these statements.

This case illustrates an inherent conflict in the audit profession between adherents of traditional auditing methods and adherents of methods that owe more to the social sciences and even management. Some of Pollitt et al.'s (1999) conceptions of different auditor roles, respectively the management consultant and the public accountant, may conceptualise the different professional norms and related audit criteria at stake. Here, the management consultant gives advice and suggests improvements to public bodies, while the public accountant's concern is to produce reports that enhance public accountability and transparency. It also shows the role conflict the auditors meet in such a situation – being helpers in a process focusing on improvement, in which case co-operation difficulties would be important information, versus being controllers. For some of the auditors, their understanding of what is suitable as audit criteria might not allow this kind of information to be brought forward. They would argue that this kind of evidence is not relevant as there are no relevant audit criteria. If there are no audit criteria, the auditors cannot make an assessment, let alone describe the findings.

Those auditors who argued that the co-operation problems should not be addressed pointed to the standards of the Office of the City Auditor and maintained that the report, due to a lack of clarity in the audit criteria, should not be published. They summoned a meeting with management to prevent the report from being published, arguing that it could not be classified as a performance audit according to the standards. They asserted that even though the central agreement between the state and the city presumed collaboration and coordination from all parties, these demands were not delimited enough. This entailed that the auditors could not use them as audit criteria.

Performance audits can be classified according to the standards of performance audit decided by INTOSAI and adopted and reflected in the local standards (Azuma, 2008). In the case of the Office of the City Auditor, the standards were described as systematic assessment of the economy, effectiveness, efficiency and results based on the assumptions and decisions of the city parliament (Eriksen et al., 2000). These assessments were operationalised as

- whether resources are used in line with the city parliament's decisions and assumptions
- whether the measures applied efficiently contribute to the reaching of goals
- whether there is compliance with rules and regulations
- whether measures of management and control are appropriate
- whether information constituting the basis of the city parliament's decisions is correct
- whether results are achieved and goals realised

These standards show that it might have been possible to conduct several different kinds of performance audits. Nevertheless, certain auditors would not include the subject of collaboration and co-operation in the performance audit report. They claimed that their standards did not allow them to disclose such information. As the standards actually did open up for several types of auditing, this resistance might also be interpreted as being due to local culture and a traditional way of working.

## Discussion

The introduction claimed that governance arrangements are widespread and that such arrangements, and not only government structures, need to be addressed by the auditors. The case selected for this analysis outlined the functioning of a governance arrangement in the area-based projects of an urban development programme. The case illustrated how the complexity of the governance structure, which emphasised co-operation, became hard to handle within the confines of the performance audit framework. The research problem for this article is whether a performance audit is capable of dealing with such complex interventions. The audit process described above illustrates how auditors might assume different roles when auditing a complex intervention such as an ongoing urban development programme.

The disagreement between the agencies and the district councils and the challenges of co-operation between them in the above case set off internal discussions among the auditors pertaining to the role of the auditor. There were two different viewpoints. One viewpoint feared that the auditors might become spokesmen for one of the parties and upheld that these problems could not be assessed, because of a lack of clear audit criteria. The other viewpoint maintained that these problems were critical to the success of the programme and needed to be addressed.

## Auditor independence

If performance audits are to be geared toward performance improvement, it would be an advantage to contribute during the ongoing processes and interact with the auditees as closely as possible. This interaction would be more in line with the intentions in a formative evaluation where improvement during the process is essential. Improvement was also what the auditors strived to achieve at the outset of this case. The interaction must nevertheless be balanced with the auditors' need of an independent role.

Evaluation literatures showcase a span of different methods used to assess complex interventions. Some of these might be useful to performance auditors. Yet the methods most geared towards involving the evaluated party might be troublesome to the auditors, as they are to maintain a certain distance to what and whom they are set to assess. An interaction that is too close might induce the auditors to favour the auditees and prevent the auditors from holding certain parties to account. The auditees, on their part, might feel reticent in sharing and trusting the auditors' improvement agenda. The audit reports are public and tend to be critical, which in turn might put the auditees' plans and relations at risk. The institutional roles of the auditors – being 'management consultants' as well as 'public accountants' – might therefore inhibit individual auditors and as well as audits from using some of the methods more apt for contributing to improvement.

## Performance audit criteria

Auditors are to administer their control function in such a manner that there is no doubt of their independence, competence and objectivity. Transparency has to be secured to ensure the



legitimacy of the auditors as the control organ of the city parliament. Transparency and objectivity is to a large degree secured through audit criteria that are extracted from written decisions and intentions of the politicians in the city parliaments or in the city government, rules, laws, standards and regulations. In this way the audited bodies can easily see on what basis the assessment is made.

This case illustrates the inherent conflict between information value and the demand for clear, delimited and unambiguous audit criteria. In the urban development programme analysed above, where co-operation is a prerequisite for good governance and results, evidence related to co-operation would clearly have been of interest to the city parliament and many other decision makers. Yet some of the auditors did not want to include this information in the report. In their view this evidence was not relevant as the audit criteria were not, in their professional point of view, clear enough. It may vary how different organisations and audit departments interpret their mandate and use audit criteria. From this example we have seen that some auditors' use of audit criteria might limit what evidence they can document. This might risk leaving out information that is central to understanding a project's success or failure. For some auditors there is little room to incorporate evidence that is not in line with these pre-planned criteria. Some auditors also have an interpretation of audit criteria that limits what kind of questions they can answer. This might decrease the value of information to stakeholders, as the auditors do not shed light on issues that concern them. For some auditors it might be impossible to assess these kinds of complex interventions because such assessments are incompatible with their traditional framework. In that case there are limitations in the ways an audit can control government in complex interventions.

## Implications for other audit institutions

The case in this article is chosen as an example of how new forms of governance arrangements can create challenges for the auditors. Auditors in western societies face the same type of challenges pertaining to new governance arrangements, new audit roles and tasks, but the new audit roles and tasks get particularly demanding in these 'post new public management' systems.

Different audit institutions will meet these challenges differently. Other audit entities might find solutions to these dilemmas more easily than in the case presented, for example by applying methods from evaluation and research, but the dilemmas described still remain an integrated part of the system. The article therefore presents information that has a general interest to both auditors and evaluators who assess complex interventions and policies.

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