PUBLIC SECTOR PERFORMANCE AUDITS: STAKEHOLDER INTERPRETATIONS OF IMPACT

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Without better understanding of the nature of performance audits and its impacts, “there is a risk that people will over or under-appreciate its usefulness as a mechanism of public sector scrutiny.”
(Kells 2011, p. 87)
This thesis aims to develop a conceptual map that explicates the scope and nature of PA impacts and their conditioning context based on key stakeholder groups’ accountability relationships.

**Key stakeholder groups:**
- Auditees
- Members of the Victorian Parliament
- Journalists
- Victorian Auditor-General’s Office performance auditors
WHAT – RESEARCH QUESTIONs

RQ1 – How do accountability relationships between relevant stakeholders influence their interpretation of performance audits?

RQ2 – What do relevant stakeholder groups involved in performance auditing interpret as impact?

RQ3 – To what extent have performance audits been perceived as useful by relevant key stakeholders in terms of changes made to audited organisations?
**HOW – RESEARCH DESIGN**

**Three-phases**

**Phase 1**
- Document analysis
  - 196 PA reports; 5 auditees’ responses to PA reports; 2 AG reports to Parliament; 32 Parliamentary and committee reports and pronouncements; 42 PAEC public hearing transcripts; 120 media reports and press releases. Identification of 411 auditees, 17 MPs and 28 journalists as potential participants.

**Phase 2**
- Online survey questionnaire
  - The survey was sent to 411 auditees of whom 82 (20%) responded.

**Phase 3**
- In-depth semi-structured interviews
  - Interviews were held with 34 auditees, 5 MPs, 3 journalists. Snowball sampling was applied.

**Data analysis**

**Qualitative data analysis**
- (Re)reading, memo writing, open, axial and selective coding;

**Quantitative data analysis**
- Review of survey results, descriptive statistics; coding for open-ended survey question

**Qualitative data analysis**
- (Re)reading, memo writing, open, axial and selective coding.

**Triangulation of data**
FINDINGS (RQ1) – ACCOUNTABILITY RELATIONSHIPS
"We have a pretty good relationship with VAGO because we see them regularly in the audit committee meetings [...] they also discuss the findings during the committee meeting. Even though they are not obliged to do that, they do that. And that works pretty well." (A1)

"We've got to rely on the third party, the Auditor-General to get back in there and follow up [...]" (MP2)

Planning of the performance audit

Conduct of the performance audit

Performance audit reports listing recommendations

VAGO follow-up audits

Auditees: Performance auditors’ scoping procedure

Auditees: Performance auditors' scoping procedure

Performance auditors and auditees: auditor-auditee relationship

Performance auditors, MPs, journalists: PA reports enhance public accountability.

Performance auditors and auditees: Ripple effect

"[t]'s not just when they’re [VAGO] auditing us, but when they’re auditing other councils, I look to see what they’re saying and try to implement them as best practice here, because one day, they will come looking here." (A16)

"relabelling old wine in new bottles" (A33)
FINDINGS (RQ3) – ORGANISATIONAL CHANGE

<table>
<thead>
<tr>
<th>Kind of change</th>
<th>Dimension</th>
<th>Auditees’ comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes in staff training</td>
<td>substantial</td>
<td>“almost like a ground up reform, [...] a big deal” (A2)</td>
</tr>
<tr>
<td>Changes in IT</td>
<td>substantial</td>
<td>“massive” (A19)</td>
</tr>
<tr>
<td>Changes in accounting systems</td>
<td>substantial</td>
<td>“huge”, “the very big changes” (A2)</td>
</tr>
</tbody>
</table>

MPs claimed that not all recommended changes lead to valuable performance improvements:

“I would say anecdotally that **50 per cent or more** of the performance audits have **contributed to improvement** across the public sector, but there’s **probably 50 per cent that don’t**.” (MP3)
CONTRIBUTION OF THIS STUDY – CONCEPTUAL MAP

- AGs’ and performance auditors’ intent and culture
- Stakeholder-orientation/Headline-hunting approach
- PA Scope
- Frequency of auditees’ exposure to PAs
- Performance auditors’ attendance at audited organisations’ internal audit committee meetings
- Materiality of report, tone and language of report
- Kind of recommendations (targeted/whole-of-government, low-level/strategic)

Managerial accountability relationship: auditees and executives
Managerial accountability relationship: auditees and internal audit committees
Political accountability relationship: Auditees and MPs
Political accountability relationship: Auditees and ministers
Auditees seeking legitimacy from performance auditors
Auditees seeking legitimacy from the media

Auditees’ perceived PA usefulness

Organisational change
CONTRIBUTION OF THIS STUDY – MOST IMPORTANT FINDINGS

Of most importance in the thesis are its findings that:

- Managerial, political and public accountability relationships between key stakeholders affect their interpretations of PA impact.
- While not all stakeholders feel accountable to other groups, their interpretations of PA impact appear to be driven by the endeavour to obtain and maintain legitimacy from other key stakeholders.
- Stakeholder interpretations of PA impact are dependent on their perceptions of the usefulness of PAs.
- Complex and reform-like changes, if considered timely and necessary, are perceived as useful and, therefore, impactful.
- Certain impact definitions provided by different key stakeholder groups are similar, whereas others vary.
- State Government audited entities and Local Government audited entities exhibit systemic differences in perceptions regarding PAs.
THANK YOU

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