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Auditee strategies – An investigation of auditees' reactions to the Norwegian State Audit Institution's performance audits

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Abstract

This article contributes to theory on accountability – how it is played out and responded to. It uses the Norwegian State Audit Institution (SAI) as an illustration. The responses of the audited entities to the SAI’s institutional pressure were identified through an analysis of four different reports. The selection of cases was based on a classification of performance audit reports published and followed up by the SAI during 2000–2011, and on the ensuing debates in Parliament. Four auditee strategies were identified. They indicate that performance audit has impact when the auditees agree with the conclusions of the SAI. Sanctions from the control committee and the Parliament are equally important. Changes in the audited entities can be induced despite disagreements. These situations mirror political constellations in Parliament and reflect political values. Even though the extent of sanctions and conflict of opinion matter for the auditees’ responses, the effects are context dependent.

Keywords

State Audit Institution, Performance audit, Democratic Accountability, New Public Management, Strategies

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Introduction

The New Public Management regime introduced in many western countries in the 1980s and onwards has led to increased delegation which in turn has resulted in more use of audit and control mechanisms (Hood 1991; Pollitt et al. 1999b; Power 1997). The elected politicians need information about how public money is spent and what is obtained. With New Public Management (NPM), performance audit has become an important tool for providing this information.

Implicit in the NPM system is the principal-agent relation. Parliament holds the government accountable. In turn this is supposed to improve transparency and performance. Several scholars question this presumption and claim instead that it discourages innovation and ignores results because it triggers gaming, defensiveness and excessive caution (Behn 2001; Bemelmans-Videc et al. 2007; Dubnick 2005; Hood 2002).

There is little systematic and comparative empirical research on the subject. This study is empirical, investigating how accountability mechanisms work in the case of the State Audit Institutions (SAI). The empirical findings have interest beyond the particular national setting of Norway because changing audit roles, new auditing methods and external demands are a general phenomenon in many countries.

The research question in the article is: What mechanisms are triggered in the audited entities when State Audit Institutions hold them to account and why?

To provide a theoretical understanding of the research question four cases were selected for scrutiny, based on specific criteria, from a database. Both document analysis and interviews were used to analyse and describe the cases. In the article a literature review is first presented, followed by a description of central concepts and theory of accountability pressures and responses. Then follow methodology and findings and in the end a conclusion.

Literature Review

Little is known about the impact of performance audit and additional evidence has been called for (Wilkins et al. 2011; Yang 2012). In a review of existing research on the subject, only 14 studies pertaining to state audit were found (Lonsdale et al. 2011). Many of the studies are based on the perceptions of those audited (Alwardat 2010; Morin 2001). Recent studies suggests that the auditees perceived utility of the performance audit depends on their perception of the quality of the report and of the SAI as an institution, as well as on their experiences in the process and the degree to which their comments were taken into account (Reichborn-Kjennerud 2013). Other authors have problematized the independent role of auditors as being an obstacle to impact because stakeholder involvement is associated with greater utilization (Vanlandingham 2011). Justesen and Skærbek (2010) examined how accountability mechanisms contributed to the auditors' impact and suggested that these are forceful mechanisms in making organizations implement changes. Still they questioned whether the changes necessarily represented improvements. Other researchers have focused on learning processes and success factors associated with the performance audit, stressing the importance of the compatibility of the opinions of the auditor and the auditee (De Vries et al. 2000; Van der Meer 1999). Lapsley and Pong (2000) based the assessment of impact on the opinion of the auditors themselves. There is also some research on the impact of audit

institutions at the local level (Johnsen et al. 2001; Reichborn-Kjennerud et al. 2011; Tillema et al. 2010; Weets 2011).

The Concept of Accountability

In this article “holding to account” is understood as the ministries’ obligation to answer to Parliament, in response to assessments in the SAIs reports, concerning the execution of their responsibilities (Bemelmans-Videc et al. 2007, p. 241). The ministries are the formally accountable actors in this relation, but depending on the audit questions, the ministries, agencies and other subordinate entities can also be subject to investigation. Accountability is seen as a social ‘mechanism’ whereby an actor is held accountable by a forum and must provide explanations and justify conduct (Bovens 2010; Schillemans 2011). The ministries, in this case, have to answer to two forums; the SAI itself and the Standing Committee on Scrutiny and Constitutional Affairs (control committee) in Parliament.

Accountability processes can be divided analytically into three phases: the information phase, the debating phase and the consequences phase (Bovens 2010; Schillemans 2011). The SAIs information phase is focused on collecting evidence to make informed judgements. It includes information gathering and reporting. The performance audit report is the final product of this work. The auditors’ job is to provide arguments to a free debate and refrain from political agendas (Majone 1989). The performance audit therefore speaks for itself. The SAI is not supposed to persuade its audience in any other way. It is only supposed to respond to requests from the media or the control committee. This paper will not focus on the information phase, but on the two last phases, because it is concerned with the auditees reactions. The two last phases are the debating phase during which the accountee has the opportunity to justify his or

her behaviour, and the consequences phase during which the accountant arrives at his or her final judgment regarding the conduct of the accountee (Bovens 2010).

The debating phase

The ministers and their ministries are formally held to account for results, for compliance or for good management practices in the SAI's reports (Aucoin et al. 2000; Behn 2001; Grönlund et al. 2011; Pollitt et al. 1999a). They can be assessed based on whether the intent is compliance with rules and regulations or ameliorative operations and results (Bovens 2007). The SAI routinely involve the ministries in the performance audit process regarding risk assessments, audit questions, audit criteria, minutes from interviews, audit evidence and interpretations. The ministries also issue the formal reply to the reports. Their comments are attached to the reports that are subsequently sent to the control committee (Reichborn-Kjennerud 2013).

The control committee discusses the reports and makes recommendations to Parliament. On rare occasions the reports produce reactions that result in hearings. Ministries and agencies can be summoned to these hearings to provide explanations. Accounts are then given directly to the control committee in Parliament (Bovens 2005, Stortinget, 2002).

The consequences phase

Audit offices are not in a direct hierarchical relationship with public organizations, nor do they have any formal sanctioning power. They report to the minister or to Parliament. From this relation the SAI derives an informal power. Bovens characterises this relationship as diagonal (2007).

Parliamentary motion of confidence is one sanction available for Parliament, but it is seldom used. It is more common for Parliament to demand hearings. Even though these may be convened only for information purposes, they are often experienced as a sanction in their own right because they signalise a critical review. An even more common, milder reaction on the part of the control committee is to issue critical remarks. Accountability, based on these more informal reactions, can be described as exposure to criticism. The more the ministries are exposed to critical review, the stronger they experience accountability pressures (Sejersted, 2000). The perceived importance of the criticism will depend on the number of members of Parliament (MP) supporting it. It is remarks supported by a majority of the MPs that are paid most attention to. These express the will of the Parliament (Nordby 2004). Such remarks often give grounds for conducting further investigations (Sejersted, 2000; Sørensen, 2002).

As the SAI is in a diagonal relationship with the audited entities, the reports have to stimulate the MPs' interest if sanctions are to be generated, but there are challenges pertaining to newsworthiness and timeliness (Sejersted, 2002, Schwartz 2000). The impact of the reports can be greater after a series of reports have been issued. Following an interval of approximately three years after the publication of the performance audit report, the SAI normally conducts a follow-up investigation to check the measures the ministry has implemented and what it has accomplished. If need be, a new investigation is started, or a financial audit is conducted as a follow-up (Riksrevisjonen, 2005). Although the SAIs cannot impose sanctions, the audit institutions have proved capable of wielding considerable influence over the decision-making behaviour of public managers. The ministries take the reports very seriously (Nutley et al. 2012).

Accountability Pressures and Responses

Institutional theory emphasizes how institutions are bound to incorporate new organizational ideas or conform to regulatory pressures to preserve their legitimacy. Several scholars have also called attention to the causal mechanisms that connect accountability with performance, including the way organizations deal with accountability pressures (Dubnick 2005; Yang 2012). What I seek to investigate in this study is reactions to accountability pressures. Oliver is one scholar that has focused on strategic responses to institutional accountability processes (1991). She offers five different strategies. In her strategy of acquiescence the organization has a conscious intent to conform. It is aware of the institutional processes and expects that conformity will serve organizational interests and will enhance its discretionary capacity and legitimacy. The organization is more liable to acquiesce and comply if the consequences of noncompliance are severe; punitive and strictly enforced and if rules or norms are broadly diffused and supported. Likewise the probability of using this strategy is enhanced when there is compatibility of institutional pressures with the institution's own goals, internal norms and values (Brunsson et al. 1993; Røvik 2007; Scott 2008; Selznick 1984). DiMaggio and Powell's (1983) concept of isomorphism describes the same phenomenon.

In the avoidance strategy, the organization would use a concealment tactic to disguise nonconformity behind a façade of acquiescence, for example by establishing plans and procedures without any intention of implementing them. In buffering tactics, it would decouple internal work from external assessments. The escape tactic is not as relevant for audits because it involves redefining the business to avoid demands. The strategy of avoidance will be more probable when the institution has much to gain if it conforms, if consistency with internal goals is moderate and the loss of decision-making discretion that the pressures imposes on the organization is high.

“Defiance” is a more active form of resistance. The tactics used in a defiant strategy can be dismissal, challenge or attack. In dismissal, the organization ignores the pressure. If the organization deems the institutional pressures to be contrary to organizational interests, to diverge from the organization’s own goals and the organization does not understand the rationale behind the institutional pressures, the defiant tactic is more probable. When the organization challenges external forces, it is more active in its opposition. This will be the case when the organization is convinced that its own standpoints are appropriate, rational and acceptable. In attacking, the organization vehemently denounces the pressure brought to bear on them. This will be the case when the organization is afraid that its rights are in jeopardy and pressures are discrediting. This is more probable when the pressures are organization specific. The “defiance” strategy is more likely to occur when the perceived cost of active departure is low, internal interests diverge from external values, the organization believes it can demonstrate the rationality or righteousness of its own alternative convictions and believes it has little to lose by opposing (Oliver 1991).

In Olivier’s (1991) framework, resistance strategies become more probable when the dependence on the pressure-exerting institution diminishes. The auditees are not dependent on the SAI, but can experience different degrees of sanctions. The audited organization’s reactions to performance audit can be understood through four possible outcomes based on insights from these theories and on empirical induction from the cases observed. Two dimensions are important in this typology; how the auditees respond to sanctions and the extent to which the opinions of the forum conflict with those of the auditees. See table 1 and explanations for the typologies below.

Olivier's strategies of "compromise" and "manipulation" are omitted in the table because the ministries are limited in their options to use most of the tactics described under these strategies. They could try to influence the SAI and other stakeholders in the public debate or in the legislative processes, and to a certain extent they can give comments to the SAI, but the SAIs independence and direct link to the Parliament will prevent them from co-opting or controlling it.

Table 1. in about here

The table 1 illustrates a typology of auditees potential responses to performance audit. The categories in the typology can be considered as "ideal types" (Weber 1968). Below the different types are described more in detail.

Defying

Oliver's strategies of "avoidance" and "defiance" are collapsed into one category called "defying" because, in both cases, the auditees resist the SAI's influence (Oliver 1991). This will be more probable when there is conflict of opinion, but little risk of sanctions. In the case of "defiance" the ministry actively states its disagreement in its formal reply to the SAI. Alternatively it may pretend to agree, without actually intending to follow up on the conclusions of the SAI. Comments from the control committee, in the case of "defiance" are ambiguous or sides with the ministry. This response from the committee will strengthen the ministry's initial decision of not making changes after the performance audit.

Capitulating

“Capitulating”, as a category, involves coercion and is close to DiMaggio and Powell’s concept of coercive isomorphism (DeMaggio and Powell 1983). The audited organization faces formal pressures from an organization upon which they are dependent: Parliament. It also resembles the concept of “imposed use” from the evaluation literature, indicating that institutional pressures are more effective when formal demands for accountability are in place (Weiss et al. 2005). Capitulation will be a probable outcome when there is conflict of opinion and sanctions are severe. Typically, in this case, the ministry will state its disagreement to the report’s audit criteria, methods, facts or assessments in its formal answer to the SAI. If a majority in the control committee still sides with the SAI, in spite of the ministry’s protests, this can lead to decisions in Parliament that forces the ministry to comply.

Copying

The category of “copying” corresponds to Oliver’s concept of “acquiescence” and the tactic of compliance. Oliver’s “pacifying” tactic of the “compromise” strategy is included in this category, as it involves protesting, but still conforming, to at least the minimum standards (Oliver 1991). If the SAI’s findings are aligned with the ministry’s views and the possibility of sanctions is strong, the organization will copy and make changes as prescribed. In this case the ministry thinks the performance audit report will benefit the organization. It will implement measures and expresses in its formal answer that it intends to conform. At the same time majority remarks in the control committee side with the SAI’s assessments in the report. Consequently the ministry risks follow-up from the SAI in future, that might be compromising, if it does not comply.

Ignoring

The fourth category implies that the organizations ignore the audit even when there is no value conflict. In research on evaluation use, this is recognized as a fourth option apart from “instrumental”, “conceptual” or “political/symbolic” use (Weiss et al. 2005). The strategy suggests that little happens in the wake of the performance audit. It implies that the report is given little attention, entails no sanction, and is perceived as uncontroversial. In this case the SAIs assessments will be aligned with the ministry’s perception of the situation but, the ministry will not promise to take any concrete action. Neither will the report trigger much debate in the control committee.

Methodology

The procedure

The ambition in this article is to use case studies to examine how accountability plays out after the publication of performance audit reports. To select the cases, a database was established, mapping the performance audit reports published and followed up by the SAI during 2000-2011 (questions asked, main findings, reactions from the ministry etc.) involving a total of 76 reports. In addition the number and length of remarks in the control committee’s recommendations to Parliament was quantified.

Subsequently, four cases differing in important respects were selected from the database (see the selection criteria below). An in-depth analysis of these cases was conducted scrutinizing documentation both from the SAI and the control committee. Then the information was coded and structured in tables.

Generally speaking, the majority of the SAI’s reports are not much debated. Two out of the four reports selected received more attention than the average SAI report. Therefore, the

selection is not representative, but rather theoretical, to illustrate the accountability mechanisms that are triggered by external pressure (Bryman et al. 2008).

The selection of cases

Four performance audit reports from four different ministries were chosen for closer study.

Only reports followed up by the SAI were chosen, to exclude reports that were too recent to have had any impact.

The selection of reports was based on assumptions about factors that could affect auditee responses. The selection criteria were:

- The degree of attention from the MPs
- That the reports were issued both when the government was majoritarian and in minority in Parliament.
- That the ministries agreed and disagreed with the assessments and conclusions in the report

The reports were conducted under different governments. The reports on the Army's disposal of property and the report on the universities management systems were published in 2005 when the Norwegian government was headed by a minority coalition including the Christian Democratic Party, the Conservative Party and the Norwegian Liberal Party. In autumn 2005, a majority government coalition headed by the Norwegian Labour Party, The Socialist Left Party and the Centre Party was in power until September 2013. The most recent report on land use and the report on user orientation in the public sector were published in 2007. In the control committee the opposition was in the majority the whole period.

Interviews

Based on the document analysis and the follow-up reports of the SAI, seven leaders and five senior advisors in the ministries as well as nine leaders in the audited entities were interviewed to find out what influence the reports had on their organization. Interviews were also conducted with four MPs, both in position and in opposition. They had been in the control committee at the time of the processing of the four reports. The MPs primarily answered on a general basis, as they had problems recalling the four reports in question.

Findings

In the following I present what happened in the debating and consequences phase for the four selected reports. First two reports with little conflict of opinion between the ministry and the SAI are presented (one on land use and one on user orientation). Last two reports with high conflict of opinion between the ministry and the SAI are described (one on the disposal of real estate and one on the universities management systems).

Reports with low conflict of opinion

One report concerned with environmental issues and one report on government administration issues are presented below:

The report “Land use is not sustainable in several areas”

This report’s concern was the ability of the government to safeguard a sustainable development, both in urban development, in mountain areas and along the shoreline. The ministry replied to the SAI that its definition of sustainable development in the report was too narrow. It also complained that the ministry’s coordinating role was challenging, and that land use policy is primarily conducted at the municipal and regional levels. Despite these objections, the ministry agreed with SAI’s conclusions. It signalled a need for stricter rules

and exemption practices, clarification of national guidelines, standardization of the mapping of geodata and improvement of the coordination.

The debate in the control committee reflected a political divide in which representatives from the conservative opposition were concerned with the municipality's freedom to make decisions without State interference. In the recommendation from the control committee to Parliament, five remarks were made by different political constellations in the committee. In three of them different majorities acquiesced to the SAI conclusions and requested more resources for the county governor. The same point was made in one additional remark from the political left. The conservative opposition emphasized, in two remarks, the importance of local sovereignty, claiming that the county governor already had too much power.

In Parliament three remarks were made, and the minister had a briefing on measures taken. A representative for the Progress Party warned about bureaucratization; a representative for the Centre Party underscored the importance of local decisions. Finally, a representative from the Labour party underscored the importance of national guidelines to resist business interests conflicting with environmental concerns.

The control committee demanded that the ministry take action to analyze consequences, systematize incoming information, give more resources to the County Governor of Oslo and Akershus and update the guidelines. At the same time the committee underscored the importance of municipal autonomy and emphasized that differences between the regions should be taken account of.

In the report the Ministry of the Environment mainly agreed with recommendations and made changes in compliance with the SAI conclusions. In the interview the director general stated:

The reports were useful to us. They helped identify weaknesses, gave explanations and strengthened our general awareness.

We agreed to the analysis of the SAI and learned something new. Our numbers and facts were insufficient. We immediately started a project on mapping municipal exemptions.

The County Governor of Oslo and Akershus generally shared the ministry's stance. It regarded the reports as a support in implementing state policy. If controversy should arise in individual cases, the SAI reports could be used as backing. This illustrates the interviewed MPs' accounts of how both politicians and bureaucrats use the reports to back their own arguments. The County Council of Akershus, on the other hand, had not used the SAI reports. It related only to steering signals from the ministry and from the County Governor.

In the follow-up report, four years later, the ministry described measures taken to improve. It had prepared a document to assist the counties and the municipalities planning strategies, prepared regional plans for the mountain areas, increased the funding to the Norwegian Directorate for Nature Management, developed new guidelines and signaled a stricter practice. The ministry concluded that, despite measures implemented, all results were still not achieved. The SAI therefore decided to continue their monitoring of the ministry.

The report "User orientation in the delivery of public services"

In the report on user orientation the SAI criticized the Ministry of Government Administration Reform and Church Affairs of not pursuing the goal of user-orientation actively enough. The ministry acknowledged the SAI's assessments and stated that it considered the report useful.

The control committee gave one remark where it acknowledged the SAIs assessment. It stated that user-orientation has been a Parliamentary goal over a long period of time. It underlined the importance of the ministries' steering signals for subordinated entities to focus on user-orientation, and it agreed with the SAIs conclusions that web-based IT-systems do not solve all user-groups' needs. It also acknowledged the SAIs assessment that user-surveys should have been used more to improve services. In Parliament the importance of using results from user surveys to improve services was pointed to in one remark.

Three years after, the SAIs follow-up report demonstrated that the ministry had implemented extensive measures. It had created a new Agency for Public Management and e-Government with responsibility for user-orientation. Both the ministry and the agency had implemented several measures. All the ministries were asked to focus on user-orientation in their allotment-letters to subordinated entities. Equally they were to focus on user-orientation in their dialogue with subordinate entities that were to report on what they had accomplished. In addition the ministry had developed guidelines and a communication policy. The SAI was satisfied and closed the case.

Reports with high conflict of opinion

One report concerning defence issues and one on the management of the universities are presented below:

The report "The disposal of real estate, buildings and fixed assets"

This report was criticizing an agency in the Armed forces' disposal of property. In its answer to the SAIs assessments, the ministry of Defence wrote that the agencies' basis for deciding to sell army property had been sufficient. It interpreted the instruction differently from the SAI and argued for its standpoints relevant to each event.

Fourteen remarks were made in the control committees' recommendation to the Parliament. In six of the remarks, the conservative and liberal parties in position supported the ministry's interpretation of the instruction and claimed it had taken sufficient account of the public's need for recreational areas. The majority of the committee, on the other hand, contended that this was not the case; that instruction had not been respected and that due concern for public recreational areas had not been adequately safeguarded.

In Parliament, ten remarks were made and the minister had to explain herself twice. She warned that presenting each case to the king in council when selling army property would slow down the pace of the sales process which was a politically prioritized task to save the army from operating expenses.

There were critical remarks from the control committee and a hearing was conducted in a related case. Leaders in the affected agency lost their jobs and the agency lost its authority to sell property.

In the end the ministry implemented the required changes. In the interview the director general said that he now considered the report as an aid in controlling subordinate agencies:

The SAI influenced the design of our letters of allocation. It was not problematic. We rather considered it an aid. Previously the agency had been selling off the objects with the best income potential. Now we could focus on the objects that were harder to sell

The Armed forces was at first traumatized, vulnerable and defensive in relation to the report, but decided at a certain point in time to acknowledge the criticism and make the required changes. In retrospect it considered the loss of leaders as an advantage as it made it easier for

the agency to make the required changes in the organization, because they no longer had to defend prior decisions. Making the required changes reduced the negative focus on the organization and improved their work situation. As they said:

We had to make changes to restore calm

In the follow-up report from the SAI, issued three years later, the ministry accounted for extensive measures undertaken. Plans for measures to be taken, the use of the properties and for structural development had been developed. The quality insurance system had been improved with checklists and new internal routines for the disposal of property. An external evaluation had also been undertaken. The SAI concluded that the case was closed, but added that it would continue to monitor the case in their annual financial audit.

The report “Weaknesses in universities’ management systems”

In this report the SAI questioned whether the internal management and control in the ministry was in line with the Management by Objectives and Results system of the government. In its answer to the SAI The ministry was critical to the fact that the SAI hadn’t considered an ongoing reorganization reform in its assessment. In 2004, when the report was published, the universities were in the midst of reorganizing their administrative and academic systems. Also, it contested the SAI’s interpretation of how the Management by Objectives and Results system applies to the university sector. In particular, it questioned the SAI’s understanding of the ministry’s and the university boards’ respective responsibilities. It contested the SAI’s criticism of informal systems in the university sector and claimed that dialogue was supportive of the formal management and control. It was critical towards the methods and the

scope of the SAI. Still it wrote that it would consider the information in the report and use it in the ongoing implementation of the reform.

In general, this ministry fundamentally disagrees with the SAI on how this particular sector is to be managed and controlled since more responsibility is placed on the University board than the SAI is willing to acknowledge.

The universities did not consider the report to be relevant. As one of the university directors stated:

The report was too simplistic and it came at the wrong point in time. Other things had to be sorted out first and we were more preoccupied with the quality of our work than with documenting it

We have implemented a quality assurance system (...) but it did not come as a consequence of this report.

The control committees made only one remark in its recommendation to Parliament, and only one comment was made in Parliament. In both instances it was emphasized that the report considered merely procedures and not the effects of the new system, and that the sector was in a reorganization process that would take time.

The control committee expected continuing formalizations of routines and responsibilities and demanded that the ministry keep them informed on the effects of the reform.

In the follow-up report from the SAI, four years later, the ministry reiterated that, according to the higher education act it is the university boards that are responsible for the internal management and organization of the universities. Accounts from the four universities for measures taken were presented and the ministry described certain clarifications made in the

allocation letters. The SAI concluded that the case was closed, but that it would monitor the case in its annual financial audit.

In the interview the ministry claimed it made no changes based on the SAI report, but the leaders' fear of being criticized in the annual follow-up from the SAI made them nervous. They acknowledged that the attention from the SAI might have made them speed up the work in implementing the new financial regulations in the sector.

Discussion

An assumption in NPM is that there is a chain of principal and agent relations whereby the principal controls the agent. In this chain of control, the Parliament is the agent of the people and the government is the agent of the Parliament. The SAI serves the Parliament and has an administrative role in controlling public administration on its behalf (Lægreid 2006).

How do the audited entities react when held to account in this system? According to the auditees' own accounts they make changes when they are convinced by the SAIs arguments. The influence of the SAI is therefore conditioned by the auditees opinions and responses. The one exception is when a political majority demands the ministry to make changes.

Accountability relations are therefore mediated through debate and argument. This implies that accountability mechanisms work mainly through persuasion rather than through power (Habermas 1984). Table 2 illustrates the auditee strategies in the selected case examples.

Table 2 in about here

The case on the disposal of property in the army triggered a lot of debate in the control committee and in Parliament. The case demonstrates how the auditees, confronted with Parliament as their forum and with potentially substantial consequences from being held to account, make the recommended changes even though they do not agree at the outset. The ministry was held to account for noncompliance with procedures. The Parliament, with the opposition in majority, imposed sanctions on the ministry to make it comply. In the subsequent process leaders lost their jobs and the agency lost authority to sell property without consulting the government. Reacting initially with a defiant strategy, the ministry was eventually forced to comply. Behaviour was successfully modified in accordance with the wishes of the accountant as the audited entity capitulated to the pressure from the Parliament..

This same case also illustrates how the impact of the SAI's reports can differ depending on political constellations in Parliament. Conservative MP's were more in favour of privatization and local self-government while the political left was more in favour of regulation, public ownership, protection of the environment and public access to recreational areas. The agency, acting as a private corporation, had ventured down a path that left wing politicians scorned. MPs from the political left were concerned with public ways of organizing to secure access to recreational areas and therefore used the report to pressure the ministry. The case also demonstrates how the distinction between politics and administration can be fuzzy as the agency's practice, in the end, was sanctioned by the MPs (Svara 2001).

In the performance audit of the Ministry of Education and Research the ministry was held to account for the universities' management practices. The control committee did not seem very critical to the SAIs findings and emphasized that the report considered procedures rather than the effects of the system. The report triggered a latent value conflict between the SAI and the

ministry pertaining to the control of the universities. According to the ministry, the main control of the universities has been delegated to university boards, but the SAI still holds the ministry to account for management practices. This constitutes a problem because the ministry, in a NPM perspective, is not to interfere with the board's operations. The board, rather than the ministry, has the direct control with the universities.

The responsibility of the ministers is objective in Norway. Even though increased devolution over the last years has significantly weakened their powers (Christensen and Lægreid 2006) the ministers are held accountable both for the ministry's own actions and for the actions of civil servants in subordinate entities (Rose 1987). In this case the SAIs assessments were in conflict with the ministry's understanding of the basic principles of the Norwegian Management by objectives and results system (Lægreid 2006). It therefore took a defiant strategy. The ministry challenged most of the SAI's conclusions in their formal reply, albeit in a diplomatic manner. In the interviews they openly rejected the SAI report.

When the funding comes from the state the SAIs mandate allows it to control the municipalities' use of resources (Helgøy & Serigstad, 2004). This can potentially conflict with local autonomy issues. In such a case the SAI report can be used by a ministry to promote national goals. The SAI report addressing the Ministry of Environment is an example of a report that actually served the ministry's interests since the ministry could use it in its steering and control of the municipalities. In the report the Ministry of the Environment was held to account for results and sanctions from the control committee were quite important. The ministry agreed with the SAI's conclusions and implemented measures to improve. It therefore serves as an example of the "copying" strategy.

The debate that ensued after the publication of the report on land use illustrates that MPs in position can be more critical than those in opposition. Assumptions that the opposition will be more critical therefore seem to be more nuanced than straightforward.

The report addressed to the Ministry of Government Administration Reform and Church Affairs received little attention. There was only one remark from the control committee and one in Parliament. The SAIs assessments were acknowledged, both by the ministry and the control committee. The committee agreed with the findings, but made no concrete demands for measures to be implemented and the ministry did not promise to take concrete action. The report provoked no conflicts of opinion or sanctions. This case is therefore classified within the “ignoring” category. Contrary to presumptions in the typology this report was used extensively by the ministry to improve operations. It therefore demonstrates that improvements can take place despite the lack of accountability pressures. These findings are not compatible with the theoretical framework which would predict the ministry to ignore the report. A dimension in the theoretical framework therefore seems to be lacking. One such dimension could be the materiality of the findings. If there is no conflict of opinion, but the findings are considered unimportant the ministry might ignore it, but if the findings are important it might decide to implement important measures. In both cases there is alignment between the SAI and the ministry’s views.

The examples of performance audits addressed to the Ministry of Defence and the Ministry of the Environment also indicates that holding to account does not necessarily lead to negative consequences as indicated in the literature (Sutherland 2003), but that it can actually make the auditees implement changes.

How the ministries argue in the reports affect how the control committee reacts. If they argue persuasively it will influence what they are held to account for and how. In this respect the auditees play an active role in the accountability process (Battilana 2009). According to research auditees tend to reject the findings when they disagree (De Vries et al. 2000; Morin 2001; Van der Meer 1999). The performance audit of the Ministry of Education and Research exemplifies this. The ministry did not consider the report relevant. Neither did it use it.

Even if ministries do not make changes based on single reports, the ministries could still adjust their strategies based on anticipated reactions from the SAI. Both the MPs, the ministries of defence and of the environment indicated this in the interviews. The impact of attention from the SAI over time has not been considered in this article, but deserves to be addressed in further research.

The capacity of the SAI to control the government is important. This article has shown that the SAI in Norway has this ability. The SAI's ability to stand up to power is essential. Comparative studies with SAIs from other parts of the world would therefore be of interest in terms of both organizational setup and impact.

Conclusion

This article contributes to theoretical concepts of how accountability is linked to auditee reactions. The auditees use different strategies when held to account. When sanctions are important and the auditees agree with the SAI's conclusions, they are prone to make changes. When there are disagreements with the SAI, but no sanctions, they resist changes. Even though the extent of sanctions and conflicts of opinion matter in the auditees' responses, the

effects are not straightforward. The cases illustrate how different interpretations of the control system and issues of autonomy, policy and ideology will influence the outcome of performance audits. These issues are played out between different levels of government, between the politicians and their administration and between different levels within the government administration.

More generally, the article contributes to theory on organizational responses to institutional pressures. Last but not least, it contributes to the literature on performance audits and the understanding of the impact of SAIs. These insights are also relevant to evaluators and other institutions conducting inspections and control.

The implications for the SAI from these findings is that, in order to enhance its influence and make the auditees improve, the SAI's conclusions and methods of communication must be compatible with the auditees' interests and values. Alternatively the SAI must be able to convince the control committee and the Parliament to apply sanctions and force the auditees to comply.

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Table 1. Auditee reactions to the reports

		Consequences	
		Important sanctions	Absence of or less important sanctions
Organizational values	High conflict of opinion	Capitulating	Defying
	Low conflict of opinion	Copying	Ignoring

Table 2 Summary of the audited entities reactions

		Consequences	
		Important sanctions	Absence of or less important sanctions
Organizational values	High conflict of opinion	Disposal of real-estate	Universities management systems
	Low conflict of opinion	Land use not sustainable	Lack of user-orientation