Performance auditing
Improving the quality of political and democratic processes?

Sandra Tillema*, Henk J. ter Bogt

University of Groningen, The Netherlands

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ABSTRACT

In an attempt to improve the quality of political and democratic processes, governmental organisations could decide to introduce performance auditing. However, earlier studies suggest that performance auditing can actually damage the quality of these processes, especially when it leads to information about the inputs, outputs and efficiency of programmes or activities. This raises the question of whether performance audits that lead to other types of information have similar effects. This paper analyses the effects of two local government audit committees in the Netherlands, both of which conduct performance audits that produce a broad set of information. It concludes that the lack of success of performance auditing, in terms of its contribution to the quality of political and democratic processes, cannot fully be explained by the type of information that is produced. In order to strengthen their role, audit bodies must find a balance between maintaining an independent position and responding to the expectations and requirements of their key stakeholders, which include the elected body, the Executive and the official organisation.

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1. Introduction

The use of performance auditing is widespread across the public sector in many countries. Similar to other forms of auditing, performance auditing implies that an independent body conducts an investigation in order to make a formal assessment of an organisation (Everett, 2003, pp. 78, 82). The findings from this investigation are used to draw up an audit report, which can be used by parties within or outside the organisation to hold politicians or managers accountable (Glynn, 1996, p. 125). However, performance auditing distinguishes itself from other forms of auditing in the sense that it focuses on the performance of an organisation, its projects or programmes, and the systems/procedures it uses to control this performance (Everett, 2003, p. 95; Lindeberg, 2007; Mussari, 1995; Power, 1994, 2003). In practice, performance audits vary widely, for instance, in terms of frequency (on a periodic or an ad hoc basis), and the performance area that is investigated (e.g. the achieved outputs or outcomes of a policy programme, the quality of management practices, or the adequacy of the performance measurement system in place (Shand and Anand, 1996, pp. 60–62)).

Performance auditing is often regarded as a means of improving an organisation’s efficiency and effectiveness (Pollitt, 2003, p. 163), but its relationships with accountability and democracy are also discussed in the literature. Some authors suggest that the availability of performance audit reports might improve the quality of political and democratic processes. For instance, based on case research into a performance audit conducted by the British National Audit Office, Roberts and Pollitt (1994, p. 546) suggest that audit reports can enable elected politicians to discuss issues on more equal terms with...
members of the Executive, as well as to monitor their activities and to hold them accountable. They indicate that this could improve the position of politicians, who are relatively under-informed, vis-à-vis the members of the Executive, who have more information and are backed by bureaucratic experts.

However, other writers have suggested that the link between – on the one hand – performance auditing and – on the other hand – accountability and democracy is more complicated (Everett, 2003; Glynn, 1996). One of the reasons for this is that performance audits often provide elected politicians and citizens with information about the inputs, outputs and efficiency of an organisation’s programmes or activities (Everett, 2003; Shand and Anand, 1996, p. 60). However, according to Pallot (2003, pp. 141–143, 146), this is a type of information that is difficult for them to understand and that is probably of little interest to them. If this type of information displaces other types, this could mean that the introduction of performance auditing leads to a situation in which the Executive is no longer held accountable for some aspects of the organisation’s programmes or activities, and that the balance of power between the Executive and the elected body changes in favour of the Executive (cf. Everett, 2003, p. 86; Pallot, 2003, p. 142). However, performance auditing can also be used to produce other types of information (Everett, 2003, pp. 85–86; Shand and Anand, 1996, pp. 60–61). In this paper, we will examine the effects on political and democratic processes of auditing practices that lead to a broader set of information. For this purpose, we will investigate the performance audits carried out in two Dutch municipalities.

From 2006 onwards, the central government in the Netherlands imposed a legal obligation on Dutch municipalities requiring them to establish audit committees. At that time, some – mostly larger – municipalities already had such a committee set up on a voluntary basis, but the other municipalities had to establish one. The audit committees’ main task is to carry out performance audits. Central government was of the opinion that these performance audits could play an important role in local government organisations, in addition to the more traditional financial audits carried out by chartered accountants. In practice, the activities of the audit committees vary to a large extent. For example, some audit committees focus on performance itself, while other committees focus on the systems used to attain an acceptable level of performance. There is also much variation in the topics that are investigated. However, topics that have frequently been subject to audit are policies on subsidies, the use of external advisors and consultants, and the budgeting process (Brandsen et al., 2007, pp. 25–26). The audit committees’ reports are formally presented to the municipal council, and are also available to the general public.

In a supporting document, the Dutch central government explained that its plans to prescribe local government audit committees were founded, not only on a desire to increase local government organisations’ efficiency and effectiveness, but also on the expectation that these committees would have certain societal effects (Tweede Kamer der Staten Generaal, 2001, p. 19–21, 45–46, 66). More particularly, central government was concerned about the declining trust in politicians and citizens’ lack of interest in the local political process, which probably explained the sharply falling turnout rates in local elections. Together with other changes in the governance of local government organisations, the audit committees were intended to reverse this trend. In other words, an important reason that central government gave for its decision to prescribe local government audit committees was a wish to improve local democracy.

The objective of improving democracy is very ambitious, if we interpret it as increasing the active participation of citizens in the democratic process. It is quite unlikely that the establishment of audit bodies per se will have a noticeable impact on, for example, citizens’ willingness to show up at elections or to become a member of a political party. Nevertheless, such bodies could contribute to improving citizens’ attitudes towards, and their support for, governmental organisations. In this paper, it will be argued that the introduction of an audit body increases an organisation’s level of openness and transparency, which may in turn influence citizens’ opinions about the organisation and about the governmental sector in general. Moreover, the increased openness and transparency could stimulate more lively debates between the parties involved in the political process, which may also have an impact on citizens. In other words, audit bodies could strengthen certain accountability relationships, both within governmental organisations and between those organisations and the voting public, and hence improve the quality of, respectively, the political and democratic processes.

So far, it is unclear what effects the introduction of the local government audit committees has had on political and democratic processes in the Netherlands. This paper aims to improve our understanding of this area based on case research in two municipalities. Given that the performance audits carried out by the audit committees in these two municipalities have led to a broad range of information, the results from our case studies are relevant, not only for Dutch public sector practitioners, but also for a wider audience. To provide the reader with some understanding of the context of the local government audit committees in the Netherlands, Section 2 describes the circumstances that led to the requirement for Dutch municipalities to establish such committees. Subsequently, Section 3 discusses performance auditing in the public sector in general, and the effects it can have on political and democratic processes in particular. Section 4 describes the design of the case studies, and Section 5 analyses the cases. Section 6 explains why the audit committees in the two municipalities we studied have played a limited role in enhancing the local political and democratic processes. In the final section, Section 7, we conclude that the lack of success of performance auditing, in terms of its contribution to the quality of the political and democratic processes, cannot fully be explained by the type of information that is produced. We argue that audit bodies’ tendency to stress their independence – at the expense of their responsiveness – can also be an important explanation.

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1 The ‘Tweede Kamer der Staten Generaal’ is the parliament at the Dutch central government level. The reference ‘Tweede Kamer der Staten Generaal (2001)’ refers to a document in which the Minister of Interior and Kingdom Relations gives an explanation to the parliament of the proposed changes in the Local Government Act, which include the requirement to establish an audit committee.
2. Context of establishment of local government audit committees in the Netherlands

Before we discuss the context of local government audit committees in the Netherlands, Fig. 1 introduces the labels that we will use to refer to different levels within governmental organisations by giving an overview of the structure of governmental organisations in general and Dutch local government organisations in particular. These labels are relevant for the discussion, not only in this section, but also in later parts of this paper.

The introduction of audit committees in Dutch municipalities has to be seen in the light of the problems that the Dutch political system faced around the turn of the millennium (Andeweg, 2004; see also ter Bogt, 2008, pp. 37–38; van Holsteyn and Irwin, 2003, pp. 41–47). At that time, the Dutch political landscape was characterised by sharply falling turnout rates in elections (except for elections at the national level), a rise of populist anti-establishment parties, and rather volatile political preferences of considerable groups of voters. Politicians were concerned about these developments, and interpreted them as a signal that many voters were cynical about the existing political system and dissatisfied with the performance of governmental organisations. In an attempt to regain the trust and interest of voters, they developed various proposals to improve the performance of governmental organisations, as well as to reform parliamentary democracy and to give voters more say, for instance, through referenda, consultations and direct elections for the Prime Minister and mayors. To date, several proposals have been turned down by ministers or the parliament, or are still under discussion. However, a proposal that did gain sufficient support to proceed was to change the governance of Dutch municipalities. An important element of the new governance model was the establishment of local government audit committees.

Basically, the change in the governance of local government organisations involved a transition from a monistic to a dualistic model of governance. This transition was formalized in 2002, but in practice the changes had started earlier, and have been taking place quite gradually ever since (Tweede Kamer der Staten Generaal, 2001, p. 2). In a monistic model, the positions of the elected body and the Executive are interwoven. In the Dutch local government sector, the elected body (i.e. the municipal council) was formally responsible for boundary setting, policy making, and monitoring the implementation of its policy decisions (Tweede Kamer der Staten Generaal, 2001, pp. 2–6). However, indirectly, it also had a role in implementing policies, because – except for the mayor – the members of the Executive (i.e. the Executive Committee), who had to implement the decisions of the council, were also members of the council.

A drawback of this monistic model is that there can be conflicts in the tasks for which the elected body and the Executive are responsible. In the Netherlands, for example, conflicts could arise because aldermen were responsible for implementing policies (in their role as members of the Executive Committee) as well as monitoring the implementation of these policies (in their role as councillors). Moreover, in practice the Executive Committee had taken over much of the council’s policy making responsibilities, as the exercise of these responsibilities had become complicated due to the increased size and complexity of local government activities. Hence, the use of a monistic model led to an administrative climate at the local government level that was characterized by an unclear division of responsibilities, and by a council that was dependent on the Executive Committee. According to the Minister, these circumstances hindered the interactions between the council and the Executive Committee, and led to a situation in which both claimed to have a dominant role in the area of policy making (Tweede Kamer der Staten Generaal, 2001, pp. 2–6). He said that it was for these reasons that he had decided to introduce a dualistic governance model (Tweede Kamer der Staten Generaal, 2001, p. 4).

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2 In the Netherlands, the council is comprised of elected politicians, and is the highest authority in a municipality.
3 The boundary setting role implies that the council sets the boundaries of the framework within which policies are to be established.
4 In Dutch local government organisations, the Executive Committee is comprised of aldermen, who are appointed by the council, and the Mayor, who is appointed by the Crown. Before the introduction of the dualistic model, the aldermen were elected from amongst the members of the municipal council, but they also remained members of the council. Since the introduction of this new model, councillors who become aldermen must give up their councillorship.
5 Wherever this paper uses the words ‘the Minister’, it refers to the Minister of the Interior and Kingdom Relations who was responsible for the introduction of the dualistic model at the local government level, including the establishment of audit committees.
A basic feature of a dualistic model is that the distinction between the responsibilities of the elected body and the Executive is made more explicit. Since the implementation of this new model in the Dutch local government sector, the Executive Committee has been responsible for policy making and implementation, whereas the responsibility for boundary setting and monitoring the activities of the Executive Committee rests with the council (Tweede Kamer der Staten Generaal, 2001, pp. 2–6). The Minister said that the ultimate objective of introducing a dualistic model of governance was to make the municipal council more independent of the Executive Committee and to enable the council to become the interface between the citizens and the Executive Committee (Tweede Kamer der Staten Generaal, 2001, pp. 23–24). In other words, in the new setting the roles of the municipal council are to define the public interest and to translate it into boundaries for making policies, and to monitor the policy making and implementation activities of the Executive Committee. Furthermore, in fulfilling these roles, the council is accountable to the citizens.

As one element of the introduction of the dualistic governance model, the Minister prescribed the establishment of local government audit committees. These audit committees are expected to investigate the efficiency and effectiveness of the local government organisation, of its financial management, and of the policies that it has implemented (Tweede Kamer der Staten Generaal, 2001, p. 70). In practice, this means that the audit committees can conduct investigations into a wide range of topics within their local government organisation. Most audit committees initiate one or a few investigations per year, and the topics often differ between their investigations. Some committees conduct investigations themselves; others restrict their activities to developing research proposals and writing up conclusions and recommendations, while they delegate the investigations themselves to external researchers. The audit committees operate independently from the Executive Committee and the municipal organisation. Formally, they also operate independently from the municipal council. However, in practice there will often be linkages between the audit committee and the council, as many audit committees regularly ask their council to suggest topics for investigations. Furthermore, several councils have decided that (some of) the members of their audit committee should be members of the council.

The Minister took the view that the audit committees would fulfil an important role in the new setting. More particularly, he mentioned the following objectives for establishing audit committees: strengthening the monitoring role of the municipal council, responding to increased public concern over the efficiency and effectiveness of governmental organisations, improving the evaluation of the legality and efficiency of local government activities, and increasing local government organisations’ accountability to the public (Tweede Kamer der Staten Generaal, 2001, p. 66). The Minister also argued that if the municipal council is better able to monitor the Executive Committee, this will provide political parties with more opportunities to stress differences in their views, and this will hopefully lead to an increase in citizens’ interest in the local political process (Tweede Kamer der Staten Generaal, 2001, pp. 29–30, 46).

In other words, the Dutch central government ultimately aimed at improving democracy by increasing citizens’ interest in, support for and participation in local government. One of the measures it took to achieve this, was to prescribe the establishment of local government audit committees. In the remainder of this paper, we will investigate the effects of the introduction of these audit committees. However, as it is very difficult to investigate changes in citizens’ attitudes, we will assess these effects using two criteria. First, we will focus on the impact of the audit committees on the position of the municipal council, which – according to central government – should play a key role in changing citizens’ attitudes. Second, we will focus on the question of whether changes in citizens’ attitudes are likely. For this purpose, we will examine a wide range of impressions of citizens’ interests in the audit committee and its reports. These impressions come from, among others, councillors and members of audit committees. In addition, we will examine the extent to which and the way in which the media pay attention to the audit reports. However, first, Section 3 will discuss the role of performance auditing in political and democratic processes in more general terms.

3. The role of performance auditing in political and democratic processes

Today, in the Netherlands – and probably several other Western countries – politicians are concerned about the quality of the democratic process, because citizens are frequently critical of government and politics and their desire to be involved in the democratic process seems to have been decreasing steadily (Andeweg, 2004, p. 571; Chesterman, 2001, p. 115; Tweede Kamer der Staten Generaal, 2001, pp. 20–21; cf. Bovens, 2007, p. 464; Wilson, 1989, p. 335). However, at the same time, citizens – who are generally well-educated – want a greater say in the policy matters in which they take (or have) an interest (Hendriks and Tops, 1999, p. 138; ter Bogt, 2008, p. 40). In such a setting, where improvements in the quality of the democratic process are desired by both government and citizens, performance auditing could play a role.

Several authors have investigated the relationship between performance auditing and democracy at various levels of government. Some of them argue that performance auditing can contribute to the quality of the democratic process as it is perceived by citizens, because it leads to audit reports which support accountability relationships between governmental organisations and citizens (Bowerman, 1996, pp. 209–210; Lonsdale, 2000, p. 74). That is, performance audits imply that governmental organisations need to be more open about, and must account for, their activities and results. In this way, the audits can increase citizens’ confidence in and support for these organisations, and maybe also enhance their interest in the political process as well as their willingness to become involved in the democratic process (cf. Curtin and Meijer, 2006, pp. 114, 120; Hodge and Coghill, 2007, pp. 675–679; Meijer, 2003, pp. 68, 77; Schmitter, 2004, pp. 48–49, 54; see also Bovens, 2007, p. 453). Other authors observe that performance auditing is often regarded as a means of strengthening the position of the elected body and its individual members – who are the citizens’ elected representatives – vis-à-vis the Executive, as
the audit reports provide them with information that has been produced, not by or under the supervision of the Executive, but by an independent body (Lonsdale, 2000, p. 85; Shafritz and Russell, 1997, pp. 551–553; see also Bovens, 2007, p. 452; Roberts and Pollitt, 1994, p. 546; Schmitter, 2004, pp. 48, 52). This information can be used by the elected body to hold the Executive accountable.

However, based on the work of authors, such as Everett (2003) and Pallot (2003), it can be argued that, instead of enhancing accountability and democracy, performance auditing could also damage accountability relationships and thereby reduce the quality of political and democratic processes. More specifically, Everett (2003) argues that in many policy areas the focus of performance audits is likely to be on the inputs used and the outputs produced by an organisation’s programmes and activities, rather than on the outcomes that it has attained with these programmes and activities (cf. Shand and Anand, 1996, p. 60). However, it is questionable whether this focus leads to audit reports which contain information that is useful for elected politicians and citizens. For example, Pallot (2003, pp. 141–143, 146) observes that although detailed, usually quantitative, overviews of inputs and outputs may be an important instrument for controlling contractual relationships between the Executive and the official organisation, they may lead to information overload for elected politicians. In addition, she expects that politicians – as well as the public at large – are usually more concerned with outcomes than with inputs and outputs.

In other words, performance audits can lead to a type of information that is not very useful to politicians and citizens. This can become problematic when the information from performance audits displaces other types of information. Several writers – including Bowerman (1995, pp. 172–173), Everett (2003, p. 86), Pallot (2003, pp. 141–143) and Power (2003, pp. 197–198) – suggest that under such circumstances, accountability mechanisms might no longer serve the political and democratic processes. These writers argue that both elected politicians and citizens receive information that probably is of little interest to them, and this can mean that certain topics are no longer fully discussed, and that the Executive is no longer held accountable for the outcomes of some of the organisation’s activities (cf. O’Dwyer & Unerman, 2008).

However, it should be noted that the above criticism is only relevant to auditing practices that lead to a particular type of information; namely, information about the inputs, outputs and efficiency of programmes or activities. Authors such as Everett (2003, pp. 85–86) and Shand and Anand (1996, pp. 60–61) recognise that in the public sector performance auditing can also provide other types of information. Inspired by the work of others, we argue below that the different types of information that can result from performance auditing are related to the complex nature of both performance and accountability in the public sector.

Public sector performance is complex in the sense that a comprehensive view of an organisation’s performance includes not only measures of efficiency and effectiveness, but also non-economic issues such as equity, responsiveness, impartiality, social justice, legality and legitimacy (Everett, 2003, p. 78; Pallot, 2003, p. 135; Wilson, 1989, pp. 315–316, 326). Public sector accountability is also complex in nature, due to the two types of mandate which are delegated down the hierarchy of principals and agents, which ranges from the voting citizens and the elected body that represents them, via the Executive, to the organisation’s managers. The first type of mandate regards the authority to make policy choices on behalf of citizens, and the elected body that represents them, the Executive, and on the other hand because it changes citizens’ attitudes towards the governmental organisation. However, their arguments are rather superficial, in the sense that they give not much attention to explaining the impact of performance auditing on citizens’ attitudes, and on citizens’ attitudes. Given the difficulties in investigating changes in citizens’ attitudes, it might be acceptable that we do not fully understand the effects of performance auditing on citizens’ attitudes. However, with respect to the effects on the position of the elected body, it will be feasible to develop a better understanding. This leads to the following research questions:

■ What is the impact of providing a broad set of information, through performance auditing, on the elected body’s position vis-à-vis the Executive?
■ How can this impact, and its scale, be explained?
■ Is it likely that performance auditing contributes to citizens’ attitudes towards governmental organisations?

In the remainder of this paper, we try to answer these questions based on case research in two Dutch municipalities.

4. Research method

We conducted case study research in the municipalities of Groningen and Leeuwarden. In 2008, the numbers of inhabitants in these two municipalities were, respectively, around 182,000 and 93,000. As such, they belong to the group of the
larger Dutch municipalities. Both municipalities have an audit committee that has produced various types of information in recent years. Examples of issues they have investigated are:

- The policy choices that were made in relation to a particular construction project (Groningen).
- The explanations for the financial deficits in the department for job creation for handicapped people (Groningen).
- The outcomes of an urban development policy aimed at an increase in the average income level of the inhabitants (Leeuwarden).
- The municipal organisation’s choice to purchase wood without the required Forest Stewardship Council certification (Leeuwarden).

However, although both committees have produced various types of information, until now neither of them has produced the type of detailed overviews of inputs and outputs that were criticised by Pallot (2003). Because of the absence of such overviews, we will be able to investigate the effects of performance auditing practices that are not subject to an important weakness that has been identified by other researchers.

The data for the case studies were collected between January and October 2008, and the most important data were interviews. In total, ten and eight persons, respectively, were interviewed in Groningen and Leeuwarden. Our set of interviewees comprised members and research assistants of the audit committees, local politicians, and managers (i.e. managers at both the central and the department levels of the municipal organisation). Appendix I gives an overview of the interviews. Since we have not interviewed citizens, our findings regarding the effect of the work of the audit committees on citizens’ attitudes are largely based on the impressions of others. These impressions, which will be described in Section 5.4, convinced us that the benefits of including citizens in our set of interviewees would be very small. To assess whether there is support for our interviewees’ impressions of the effect of the audit committees on citizens’ attitudes, we reviewed articles published in ‘Dagblad van het Noorden’ and ‘Leeuwarder Courant’, which are the main local newspapers in, respectively, Groningen and Leeuwarden. We searched for articles published between January 2006 and December 2008 dealing with the publication of audit reports and/or with the reactions and discussions that followed. We were mainly interested in whether these articles painted a ‘favourable’, ‘neutral’ or ‘unfavourable’ picture of the local government organisation.

The interviews followed a standard set of questions, but they proceeded in a less structured manner when interesting topics came up. Important issues during the interviews were: the topics that have been investigated by the audit committee, and the reasons for selecting those topics; characteristics of the audit processes; the politicians’, managers’ and public’s interest in and satisfaction with the audit reports and – more generally – the work of the audit committee; and the effects of the audit committee on the position of the council and citizens’ attitudes. With the respondents’ permission all interviews were recorded. On the basis of our written notes and audio recordings, we produced interview reports, which were typically between 8 and 10 pages in length. These reports were sent to the interviewees for approval. Almost all interviewees used this opportunity to suggest minor changes to the interview reports and to make additional remarks. Their contributions were used to complete the final interview reports.

Additionally, data obtained from documents were used to prepare ourselves for the interviews, and – in later stages – to acquire a broader view of the audit process in the case organisations, and to verify the data collected from the interviews. For both municipalities, these documents included the by-laws regarding the audit committee, recent audit reports, the Executive Committee’s formal written reactions to these reports, and the minutes of the meetings at which the council (or one of its committees) discussed the reports.

Our data analysis started with a content analysis of the interview reports. We scanned for parts that refer to:

- political and democratic processes (or – more often – related concepts, such as the position of the municipal council vis-à-vis the Executive Committee, the nature of the political debate, media attention for local politics, and citizens’ attitudes towards local government);
- the effects of the audit committee and audit reports on these processes;
- factors that could explain (differences in) these effects (e.g. interest in and satisfaction with audit reports, the reasons for establishing the audit committee, and the composition of this committee).

In addition, we marked all phrases in the interview reports where councillors, members of the Executive Committee and managers express either positive or negative opinions about audit reports or the work of the audit committee. Subsequently, we labelled these phrases – using labels such as ‘selection of topics for investigation’, ‘asking for and use of comments on draft reports’ and ‘contents of reports’ – and we then prepared an overview of the interviewees’ opinions about particular aspects of the work of the audit committee. In a similar manner, we prepared an overview of the interviewees’ opinions about the quality of the council’s work in their municipality.

After the data from the interviews and documents had been analysed, we conducted a survey among all councillors in both municipalities (i.e., the primary recipients of the audit reports) to assess their opinions on several issues that arose from the interviews and documents. Our questionnaire comprised 47 statements, in addition to more general questions about the background of the respondent. These statements were classified into six broad categories: (1) implications of the audit committee’s work for councillors; (2) contents and quality of the audit reports; (3) effects of the audit committee’s work on, for example, the municipal organisation; (4) preferences regarding the composition of the audit committee and
the organisation of its work; (5) role and function of the audit committee; and (6) issues related to the work of the council. We asked the respondents to indicate on a 7-points Likert scale the extent to which they disagreed or agreed with each of the statements. The usable response rates in Groningen and Leeuwarden were 51% \((n=20)\) and 49% \((n=18)\), respectively. The answers to the questionnaire were used to corroborate the evidence obtained from the interviews and documents. The questionnaire was not designed to provide a quantitative analysis.

5. Results

This section starts with some background information about the audit committees in Groningen and Leeuwarden. Next, we describe the impact of the work of these two committees on the position of the council in both municipalities. Subsequently, we analyse this impact, by seeking explanations of its scale, as well as of the similarities and differences that exist between the two municipalities. Finally, we discuss the effect that the audit committees have probably had on citizens’ attitudes towards their local government organisation.

5.1. Background information

According to the municipal by-laws, the audit committees in Groningen and Leeuwarden are expected to investigate the efficiency and effectiveness of the municipality’s policies and management (both Groningen and Leeuwarden), and the legality of its expenditures (Groningen) or its actions (Leeuwarden). Between January 2006 and the summer of 2008, the audit committees in Groningen and Leeuwarden published four and eight reports, respectively. As was already noted in Section 4, these reports comprise various types of information. Hence, the two audit committees are quite similar in terms of their mandates and the types of information they produced.

However, the contexts of the two audit committees differ in a number of respects. One difference pertains to the position of the council vis-à-vis the Executive Committee. In particular, the municipal council in Groningen – compared to the council in Leeuwarden – has for many years been more willing to take a position that is critical towards, and independent of, the Executive Committee. A councillor in Groningen, who has been a member of the municipal council for many years, observed that for a long time – including before the introduction of the dualistic model – the council in Groningen has had pointed debates with the Executive Committee on various topics about which they disagree. This relatively independent position of the council in Groningen can be explained by the presence of opposition parties who want to stress their distinctive features. Furthermore, since the 1980s Groningen has been striving to create a more businesslike administrative style in its local government organisation (de Vries, 2003, pp. 432–433; Hajema, 2001, pp. 291–300; Kickert, 2000, pp. 45–47; cf. van Helden and Jansen, 2003). Moreover, traditionally the administrative climate in Groningen seems to have been quite ‘politicised’, with several relatively strong aldermen and councillors. In contrast, it seems that the council in Leeuwarden has been much more acquiescent (Berenschot, 2009, p. 12; de Vries, 2003, pp. 405–412; Hajema, 2001, pp. 221–224, 236–238; Schroor, 1999, pp. 292–293).

The different positions of the councils in Groningen and Leeuwarden might explain two other differences in the contexts of the two audit committees: a difference in the starting date and in the composition of the audit committee. Groningen’s audit committee was established in 1997, long before central government required local government audit committees to be set up. According to an interviewee who was a councillor at that time, this audit committee was introduced because of some severe problems which had occurred in the municipality in the preceding years, and the council’s dissatisfaction with the timeliness and completeness of the information that it had received about these problems. After some discussion about how the council could be provided with relevant information gathered by an independent body rather than the Executive Committee, it was decided to establish an audit committee. At the start, this committee comprised all the councillors who specialised in financial issues. Since then, a number of changes in its composition have taken place. However, since its establishment an important characteristic of this committee has been that some or all of its members are also members of the municipal council. Today, the committee comprises seven members: four councillors (two from the coalition parties – i.e. the parties that cooperate in the Executive Committee – and two from the opposition), together with three external members (selected by the municipal council for their research and/or business experience).

In Leeuwarden, the audit committee was established at the end of 2005, shortly before one was required by central government. According to several interviewees, the central government’s requirement was the main reason for introducing the audit committee. Some of them actually doubt whether Leeuwarden would have had an audit committee, if it had not been required. Since its start, the committee in Leeuwarden has been composed of four or five external members. The council and Executive Committee consciously decided not to include councillors on the audit committee, because – in their view – the audit committee should operate at a distance from local politics. Various interviewees argued that including councillors on the audit committee would inevitably have led to problems between councillors and the Executive Committee, as the councillors on the audit committee may have had to criticise policies of the Executive Committee, which they had themselves approved in their role as councillor. Furthermore, it was expected that creating a distance between the audit committee and the local government organisation would strengthen the committee’s independent position.

Due to these contextual differences, we expected that the audit committee in Groningen would have had a greater impact on the local political process than the committee in Leeuwarden. The reasons for this are threefold. First, the voluntary introduction of an audit committee suggests that the council in Groningen attaches more importance to having an audit
committee. Second, since some councillors in Groningen are also members of the audit committee, the council is more closely involved in the work of the audit committee, which could lead to a better fit between the contents of audit reports and the information needs of councillors. Finally, because of its stronger position, the council in Groningen is probably more willing to use the audit reports to further strengthen its position. However, in Section 5.2, it will turn out that – despite the differences in context – the two audit committees are quite similar in terms of the scale of their impact on the position of the council. In Section 5.3, we try to find an explanation for this finding.

5.2. Impact of the audit committees on the position of the council

As has been described in Section 3, authors such as Lonsdale (2000) and Shafritz and Russell (1997) observe that performance auditing is often implemented in the expectation that it strengthens the position of the elected body and its individual members, because it leads to audit reports which support the accountability relationship between the Executive and the elected body. In Groningen and Leeuwarden, the process of publishing and discussing audit reports is usually as follows. The first step for the audit committee is to send the part of the report that was prepared by the (external) researchers to the relevant department in the municipal organisation, with a request to check the ‘facts’. Once factual errors have been corrected, this part forms the basis for the audit committee’s conclusions and recommendations. The next step is to send the entire audit report (comprising the part prepared by the researchers together with the audit committee’s conclusions and recommendations) to the Executive Committee. This gives the Executive Committee the opportunity to write a formal reaction to the report. Then, councillors receive the audit report together with the formal written reaction of the Executive Committee, as well as a response to that reaction from the audit committee. Often, the audit committee makes a formal presentation to the council, or it holds a press conference to bring the report to the attention of the public at large. As a final step, the report is discussed in a formal meeting of the council or one of its committees (or both), and this is attended by the members of the Executive Committee.

Our interviewees have mixed opinions about the effects of the audit reports on the political process in their municipality. Many interviewees agree that, in general, councillors are interested in the contents of audit reports and that the reports are discussed seriously in council meetings. Similarly, in our survey, 57% of the respondents (strongly) agree with the statement that the council is always very interested in the audit reports. Also, 61% of the respondents (strongly) agree with the statement that for their work as councillors the audit reports are an important source of information. At the same time, a final step, the report is discussed in a formal meeting of the council or one of its committees (or both), and this is attended by the members of the Executive Committee.

Our interviewees have mixed opinions about the effects of the audit reports on the political process in their municipality. Many interviewees agree that, in general, councillors are interested in the contents of audit reports and that the reports are discussed seriously in council meetings. Similarly, in our survey, 57% of the respondents (strongly) agree with the statement that the council is always very interested in the audit reports. Also, 61% of the respondents (strongly) agree with the statement that for their work as councillors the audit reports are an important source of information. At the same time, some interviewees indicate that councillors are only interested in the reports for a short period of time, as many other issues arise to divert their attention. One councillor7 expresses this as follows:

“When a report is published, people do in fact talk about it. […] But it is not my impression that the audit committee forms part of councillors’ daily lives. This has also something to do with the limited number of reports that are published each year. […] After publication, the council usually does not ask the Executive Committee whether the recommendations of the audit committee have been actually implemented or not. I am convinced that this is an area that is underdeveloped, not only in our municipality, but also elsewhere.”

Furthermore, although the councils apparently discuss the reports quite seriously, some interviewees in Groningen cast doubt on the depth of these discussions. The following comment from a department manager illustrates this point.

“In a later stage, the council and one of its committees did actually talk about the report, but neither had a thorough discussion about its contents. More general anecdotal content was brought up, and people sometimes referred to particular sentences in the report that suited them, but there was no real discussion in the sense that people tried to find out what was actually going on, and reflected upon key issues that are important for our department.”

According to one councillor, who is dissatisfied about the discussions in the council, the timing of audit reports is frequently problematic. In his view, the audit committee starts an investigation when the subject is of topical interest. However, when the report is published, which can be several months later, political interest has often moved on. Another reason, according to this councillor, is that the council’s interest in ‘financial affairs’ is often limited. A final reason concerns the pragmatic attitude of some parties in the council. The councillor argues that these parties are focused more on what – in a practical sense – went wrong, rather than on taking a political position on what should be achieved and what should be done. Furthermore, several interviewees indicate that if audit reports are based on weak research methods and/or inaccurate data, the discussion focuses on these issues. In those situations, the contents of the reports, including valuable points made by the audit committee, receive little attention. Nevertheless, the results from our survey suggest that this does not apply to most audit reports. That is, 71% of the respondents (strongly) agree with the statement that the audit reports show that the audit committee is well capable of carrying out its tasks. Furthermore, only 3% of the respondents agree with the statement that

6 Scores of 6 (agree) or 7 (strongly agree) on a 7-point scale.
7 To guarantee the anonymity of the interviewees, we avoid a reference to the interviewee’s municipality in situations where a quote is meant to illustrate the opinions expressed in both municipalities.
8 Several interviewees suggest that most audit reports deal with ‘financial affairs’. However, it would be better to classify them as covering the broader domain of organisational and management control.
sometimes he or she has doubts about the quality of audit reports, while none of the respondents strongly agrees with this statement.9

As well as concerns about the depth of the council’s discussions of the audit reports, interviewees in both municipalities also cast doubt on the effectiveness of these discussions. They argue that the council has only a minor role, because the audit committee first asks the Executive Committee to react to a report. In this formal written reaction – which the councillors receive together with the report itself – the Executive Committee often says that it will adopt many of the audit committee’s recommendations. According to several interviewees, this leaves little room for the council. Two of our interviewees – a councillor and a research assistant – argue that the Executive Committee should not be given the opportunity to react to an audit report before its publication, as this dampens discussions in the council. Another councillor rejects this idea, because – in his view – omitting the formal reactions of the Executive Committee would lead to situations in which the discussion focuses too much on whether certain ‘facts’ in the report are correct or not, and on recommendations that would be accepted anyway. Our survey supports that latter view, as 61% of the respondents (strongly) agree with that statement that the Executive Committee should have the opportunity to give a formal reaction to a report before it is published.10 A research assistant we interviewed suggests that, also in the current situation where the council receives the audit reports only after the Executive Committee has been given the opportunity to react, the council could assume a more active role. The research assistant argues that, instead of awaiting the Executive Committee’s proposals for changes, the council should take the initiative.

Overall, our interviewees – both councillors and others – are sceptical about the impact that the work of the audit committee has had on the position of the council in their municipality. Nevertheless, they have the impression that the audit reports may have strengthened to some extent the position of the council, particularly because it sometimes encourages or even forces the Executive Committee to make specific promises. The following comment from a city manager summarises the main issues raised by the interviewees:

“At best, the audit committee’s report and recommendations lead to commitments on the part of the Executive Committee, which might not have been made otherwise, or to a discussion with the Executive Committee in which the council secures certain commitments and hence strengthens its position. In addition, for its information acquisition and a proper execution of its monitoring role, the council no longer has to rely solely on what is provided by the Executive Committee. Anyway, the audit reports add some dynamic elements to the work of the council and the relationship between the council and the Executive Committee.”

Furthermore, although many interviewees raise doubts about the extent to which the council follows up the promises made by the Executive Committee, members of the Executive Committee, city managers and department managers, all stress that they ensure that these promises are carried out, at least formally, as otherwise serious political problems would arise between the council and the Executive Committee.

In other words, among our interviewees there seems to be a belief that the work of the audit committees in Groningen and Leeuwarden has improved the position of the council vis-à-vis the Executive Committee, but only to a limited extent. Compared to the interviewees, the councillors who responded to our survey seem somewhat more positive about the contribution that the audit committee has made to the position of the council. In particular, 55% of the respondents (strongly) agree with the statement that the audit reports help them in their discussions with the Executive Committee, while 24% of the respondents agree to some extent11 with this statement.12 Moreover, 47% of the respondents (strongly) disagree13 with the statement that in recent years the work of the audit committee has not contributed much to a strengthening of the position of the council vis-à-vis the Executive Committee; and only 13% of the respondents (strongly) agree with this statement. Based on these findings, we can conclude that in general councillors have the impression that their audit committee contributes to a strengthening of the position of the council.

Interviewees also mention various side effects of the work of the audit committee.14 They indicate that the audit reports give councillors background information about and insight into particular, often complicated, areas, and are sometimes kept for reference. Moreover, they observe that occasionally the reports can put particular topics on the agenda, and this can result in discussions which improve municipal employees’ notions of what the council actually wants. Finally, several interviewees suggest that the existence and work of the audit committee have led to improvements in the information provided by the

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9 On average, the respondents in Groningen (with a mean score of 2.15 on this statement) are somewhat more positive about the quality of the audit reports than the respondents in Leeuwarden (with a mean score of 3.06).
10 On average, the respondents in Groningen (with a mean score of 4.80 on this statement) attach less importance to the opportunity given to the Executive Committee than the respondents in Leeuwarden (with a mean score of 5.72).
11 Score of 5 on a 7-point scale.
12 On average, the respondents in Groningen (with a mean score of 5.55 on this statement) are somewhat more positive than the respondents in Leeuwarden (with a mean score of 4.89).
13 Scores of 1 (strongly disagree) or 2 (disagree) on a 7-point scale.
14 The survey provides support for some of these side effects. More particularly, several respondents (strongly) agree with the statements that they use the audit reports regularly to look up information (45%), and that audit reports always bring important topics to the council’s attention (34%). However, only a few respondents (strongly) agree with the statements that the information the council receives from the Executive Committee has improved considerably because of the work of the audit committee (8%), and that councillors regularly ‘threaten’ to refer a topic to the audit committee (3%).
Executive Committee, either because councillors ‘threaten’ to refer a topic to the audit committee if the Executive Committee does not provide certain information, or because the Executive Committee commits itself – in response to an audit report – to provide certain information. Be it perhaps gradual, such side effects can contribute to a strengthening of the council’s position.

Nevertheless, despite the changes in the positions of the councils in Groningen and Leeuwarden since the establishment of an audit committee in these municipalities, the councils still have a relatively weak position compared to their Executive Committees. In the words of a member of an audit committee:

“Fact is that the council is comprised of ‘amateurs’, who fulfil their councillorship in the evening hours. They are faced with a huge organisation consisting of professionals, who have much information at their disposal and few incentives to share it. Although [as an audit committee] we can actually make a contribution, it is only on a small scale, because the number of cases we can take on is only limited, and also because there are so many other issues that call for the councillors’ attention.”

Other interviewees, however, do not support the view that the municipal organisation is reluctant to share information, but they do confirm that the distance between the council and the municipal organisation is great, and that it is difficult for councillors to gain insights in what is going right and what is going wrong.

5.3. Explaining the impact on the position of the council

Our findings in Section 5.2 indicate that the audit committees in Groningen and Leeuwarden have had various effects on the position of the council, but that the scale of their impact on the position of the council has been limited. Moreover, our findings suggest that there are only minor differences between the two audit committees in terms of their impact on the position of the council, which was somewhat unexpected given the contextual differences between these committees; as discussed in Section 5.1. Section 5.2 hinted at a few explanations for the limited scale of the impact of the audit committees. That is, it indicated that both committees produce only a few reports each year, which means that the reports cover only a very small number of the subjects discussed in the municipal council. As a result, the audit reports do not form a significant part of the councillors’ work. In addition, Section 5.2 suggested that the reports may be of little interest to councillors, not only because they discuss subjects that are often not of current topical interest, but also because many reports discuss quite abstract issues, often ‘financial affairs’, in which many councillors are not interested. In this section, we explore another possible explanation for the modest impact of the audit committees in Groningen and Leeuwarden; one which is related to the attitudes of the members of the Executive Committee and of the municipal employees in the two municipalities.

In both Groningen and Leeuwarden, members of the Executive Committee and department managers seem somewhat uncomfortable with the work of the audit committee. On the one hand, they clearly indicate that they are not afraid of being the subject of an investigation, because they have ‘nothing to hide’. On the other hand, investigations into parts of their organisation worry them somewhat, as they believe that they are unlikely to be able to ‘control’ the outcomes. A department manager expresses it as follows:

“You may actually say that the announcement that our department will be the subject of an investigation is not really welcomed warmly. It is not so much fear. It is not necessary to be afraid, I guess, because in our view the department is well-organised; in recent years we have worked hard to achieve that. But an investigation of the audit committee causes us a lot of work. That is one thing, but the outcomes of the investigation are difficult to control, and that may be the most important aspect. The outcomes are uncertain, and that uncertainty is probably the main issue.”

The Executive Committee’s and the managers’ concern about their inability to influence the outcomes of investigations reveals a tension between them and the audit committee. More specifically, in both municipalities members of the Executive Committee and managers criticise the audit committee for its disinclination to amend audit reports to reflect their comments, and for its reluctance to give them sight of and an opportunity to respond to its conclusions and recommendations before the reports are finalised. In the eyes of members of the Executive Committee and managers, this leads to reports that are incorrect or incomplete. However, members of the audit committees argue that their committee generally ignores the changes suggested by the Executive Committee and managers, because the suggestions are only meant to paint a more positive picture of the organisation. Nevertheless, those who have made suggestions argue that without the proposed changes the reports are not very useful.

Partly as a result of this tension, managers and members of the Executive Committee in Groningen and Leeuwarden have serious doubts about the quality of the audit reports. For instance, a member of the Executive Committee takes the view that most of the audit reports he has seen, lack concreteness and sharpness, and are based on research questions that are not sufficiently clear and research methods that are rather weak. Moreover, he suggests that in several investigations that were carried out on behalf of the audit committee, the researchers lacked specific knowledge of the area under investigation. Managers and members of the Executive Committee are worried about the quality of audit reports, because, in their view, once reports – possibly with factual errors and conclusions that ignore ‘important’ contextual information – are made public, they lead a life of their own. According to our interviewees, the Executive Committee has very little influence over how a report is used by others, including the council and the media.

Their lack of influence over the use of audit reports explains, according to the managers and members of the Executive Committee we interviewed, why they find it difficult to predict and to control the direction of the debates in the council and of the commitments that are subsequently required of the Executive Committee. This appears to be more of an issue in
Groningen than in Leeuwarden: which is possibly because of the difference – as described in Section 5.1 – in the positions of the two councils. It seems that the more independent position of the council in Groningen characterises its discussion of audit reports: sometimes there are pointed discussions between the council and the Executive Committee, especially about recommendations from the audit committee which have not been adopted by the Executive Committee. Nevertheless, the Executive Committee tries to avoid ‘unnecessarily irritating’ the council. A councillor in Groningen suggests that the Executive Committee uses its formal written reactions to audit reports for this purpose:

“Sometimes [in its formal reaction] the Executive Committee raises doubts about the research design and the research method used, but I have the impression that the Executive Committee often tries to soften the sharp edges of a report by embracing it, and by saying that ‘we will introduce changes’ and that ‘we will provide the council with the information required’. Often, you see that the Executive Committee does not react strongly against the audit committee, and sometimes I have the impression that it is a conscious strategy, used to emasculate the effects of reports.”

All the interviewees in Groningen who have been involved in the process of formulating the Executive Committee’s formal reactions to audit reports confirm that these reactions are formulated very carefully, not only to avoid ‘discussions’ with the audit committee, but also to ‘control’ the implications that the audit has for the organisation. One of them puts this as follows:

“The audit report and its conclusions and recommendations must ‘land’ in the council in a way that we would like. As the Executive Committee, we have the idea that we can contribute to that objective by formulating our reaction [carefully]. We cannot change the content of a report, which is fixed, even if we observe, and maybe cautiously point at, mistakes. But we do try to avoid situations in which a report gives rise to unnecessary irritations and discussions, or discussions that point in all kinds of directions that we, as the Executive Committee, do not want to follow and that, for instance, also have little to do with the content of the report. That is why, although sometimes you might want to be more critical, a well-considered and carefully formulated reaction is often better.”

In Leeuwarden, we did not find strong evidence of such tactics by the Executive Committee, although here a department manager says, apparently as a joke, that the organisation’s reaction to an audit report is often a matter of ‘bending the organisation and bending the report’, suggesting that either the organisation adapts itself to the spirit of the report’s recommendations or it adapts the recommendations to fit better within the organisation. The more pro-active attitude of the Executive Committee in Groningen might explain why, despite the difference in the positions of the councils, the audit committees in Groningen and Leeuwarden have had quite a similar impact on the position of their council.

It also seems that managers and members of the Executive Committee actually want the audit committee to produce reports that can help them in their own work. From that point of view, they regard many reports as being irrelevant, because they cover topics that have been investigated before, and provide no new insights. This raises the question of whether an audit committee can be expected to produce reports that are helpful to managers. This seems to be unrealistic, given the available budgets and the type of researchers who carry out the investigations. In particular, the audit committees’ yearly budgets – in 2007, €84,000 in Groningen and around €167,500 in Leeuwarden – are probably far too small to carry out in-depth research into the performance of the major tasks or significant parts of the organisation. Moreover, the researchers of, or called in by, the audit committees in Groningen and Leeuwarden are selected more for their general research experience than for their knowledge of particular policy fields.

However, whether managers’ criticism of audit reports is really a problem is questionable, as the intention of those reports is not primarily to help managers, but to help the council. In general, compared to managers and members of the Executive Committee, the councillors in Groningen and Leeuwarden who we interviewed are much more neutral about the usefulness of the work of their audit committee. More specifically, although they make various critical comments, especially about the selection of topics and sometimes about the quality of the reports, they also express their appreciation for the audit committee in general and for some of its reports in particular. Furthermore, as already described in Section 5.2, the respondents to our survey are actually quite positive about the capabilities of their audit committee and the quality of its reports.

5.4. Effects of the audit committees on citizens’ attitudes

Given the limited scale of their impact on the position of the council, it can be expected that the impact of the audit committees in Groningen and Leeuwarden on citizens, through their effects on the political process, has been small or maybe even non-existent. Although we lack direct evidence, several interviewees – including councillors, members of the Executive Committee and members of the audit committees themselves – are sceptical about the existence of such effects. Nevertheless, the work of audit committees could affect citizens in a more direct way, as it leads to reports which can be used by the public to assess the organisations’ activities and their results. In Groningen and Leeuwarden, the audit reports are available to the public through the committees’ websites. In addition, in both cases, the committee informs the public about its reports through press releases each time a report is published, and sometimes through press conferences.

Some interviewees indicate that the local media play an important role in stimulating citizens’ interests in issues discussed in audit reports. Only if the media give sufficient attention to these issues will citizens become aware of them. In this respect, it should be noted that, except for the first few (smaller) reports published in Leeuwarden, all audit reports in Groningen
and Leeuwarden published in the period we investigated got attention in the local newspapers. Most reports were discussed in one or two newspaper articles, all of substantial length. However, both in Groningen and in Leeuwarden there was one report that received considerably more attention in the local newspapers we reviewed, because it raised a lot of discussion in the municipal council.

Despite the efforts of the audit committees and the media to bring the audit reports to the citizens’ attention, it seems that in general citizens do not show much interest in the work of the audit committee in their municipality. When we asked our interviewees to describe the effects of the audit committee on the citizens in their municipality, many said that most citizens are probably not even aware of the existence of the audit committee. The research assistant of one of our audit committees explains the lack of knowledge and interest of citizens as follows:

“When the dualistic model was introduced, and it was announced that all municipalities had to establish an audit committee, people had rather elevated ideas about increasing transparency and improving the degree of democracy as perceived by the municipality’s citizens, things like that. In itself relevant issues of course, to which we, as an audit committee, certainly want to contribute. But we also have to be realistic, for this is a very difficult area of course. It is questionable to what extent our work as an audit committee appeals to ordinary citizens. After all, as an audit committee we are part of the political context of memoranda, discussions and decision making about a wide range of often quite abstract issues, which is to most citizens perhaps not always very interesting.”

In spite of citizens’ general lack of knowledge of, and maybe interest in, their local government audit committee, specific audit reports in both Groningen and Leeuwarden may have had an influence on citizens’ attitudes as their publication led to reactions and discussions which received (considerable) attention in the local newspapers. Such media attention could influence citizens’ attitudes towards their local government organisation either positively or negatively. However, most interviewees in Groningen and Leeuwarden indicate that in practice the media seem to be interested only in those elements of audit reports which suggest a ‘scandal’ or a serious problem in a particular area of the organisation. Such interest can lead to political turbulence when, for example, the position of one or more aldermen is at stake. To some extent, our review of newspaper articles supports the view that the media tend to focus on ‘negative’ issues. This is particularly true for Groningen, where the majority of the articles included in our review paint a quite negative picture of the local government organisation. These articles speak about ‘biting’ or ‘scathing’ audit reports, and use words such as ‘failures’, ‘blunders’ and ‘disaster’ to refer to the actions of the local government organisation. In Leeuwarden, several of the newspaper articles are more neutral, in the sense that they combine negative findings from audits with explanations for these findings given by members of the Executive Committee.

Some interviewees say that – given the media’s focus on ‘negative’ issues – it is unlikely that the publicity which has resulted from the publication of audit reports has increased citizens’ confidence in local government. In the words of a councillor:

“Whether the work of the audit committee contributes to citizens’ involvement in politics? No, I do not think so. It is my impression that, maybe with a few exceptions, citizens are not interested in a well-balanced report. Their attention is mainly caught by what the media have to say about a report, which is not necessarily a well-measured and balanced view, and which often does not fully reflect the exact contents of a report. Media coverage can even give citizens the impression that much of what the municipality does is wrong.”

Altogether, our findings suggest that, although the work of the audit committees in Groningen and Leeuwarden may have influenced citizens’ attitudes towards their local government organisation, it is unlikely that it has led to significant increases in their support for these organisations.

6. Discussion

The introduction of local government audit committees in the Netherlands is one element of broader changes in the governance of local government organisations that were aimed at strengthening the position of the municipal council, stimulating local political debate, and improving citizens’ support for local government. However, these changes may have had at least one unintended effect regarding the position of the council. Although they were intended to give the council a clearer and stronger position vis-à-vis the Executive Committee, in practice they may have had the opposite effect. More particularly, since the replacement of a monistic model by a dualistic model members of the Executive Committee are no longer members of the council, and hence it is more difficult for them to play a ‘liaison role’ between the municipal organisation and the councillors. This could imply that, compared to the situation before the introduction of the dualistic model, particularly the councillors of the coalition parties have less access to the detailed information that is available to the members of the Executive Committee. This development may have enlarged the information gap between – on the one hand – persons within the municipal organisation and the members of the Executive Committee, i.e. the ‘professionals’, and – on the other hand – the councillors, i.e. the ‘amateurs’. It is questionable whether the work of the audit committees – which were established to reduce this gap – can offset the above-mentioned consequence of these changes in governance.

Apart from this question, our empirical findings indicate that in Groningen and Leeuwarden the audit committees have played a minor role in enhancing the local political and democratic processes. This raises the further question concerning what explains the lack of success of the two audit committees. To word it more strongly, is performance auditing, as it
has been introduced in Groningen and Leeuwarden, an example of a questionable practice or of a questionable concept? The issues discussed in this paper suggest that at least some of the weaknesses of local government audit committees in the Netherlands are of a practical nature and as such could be resolved. For instance, it has to be acknowledged that audit committees have a relatively short history. In the longer run, members of these committees will become more experienced, persons involved in local government will become more accustomed to the presence of audit committees, and possibly audit committees will become more visible to citizens. Furthermore, the problems related to the committees’ small budgets may be resolved relatively easily, at least in principle. In our cases, we observed that the role that audit committees can play is constrained by the size of their budgets. If their budgets increase, they will probably be able to produce more reports each year, and to improve the quality of their reports, either by investigating issues more thoroughly or by hiring experts in the policy field under investigation. With such increases in the number and the quality of reports, audit reports may become a more significant feature of councillors’ work, and they may perhaps have a stronger impact on citizens’ opinions and attitudes.

In contrast, although still of a practical nature, two other weaknesses are probably more difficult to resolve. These concern the time required for audits and the role of the media. It appeared from our two cases that there is usually a substantial time lag between when a subject is of topical interest and when an audit report about it is published. However, even if improvements in the planning of audits could reduce this time lag to some extent, this cannot prevent situations in which reports are published about subjects for which – according to the persons involved – the discussion has already been closed or which are no longer ‘hot topics’. With respect to the role of the media, the cases illustrated that the media tend to emphasise the ‘negative’ issues in audit reports. This could have the effect of decreasing citizens’ confidence in local government: although the local government organisation is in the news, it is not in a positive sense.

However, the evidence of this paper suggests that performance auditing in the Netherlands has, not only practical weaknesses, but also two rather fundamental conceptual problems. The first problem arises from the interactions between, on the one hand, the audit committee and, on the other hand, the Executive Committee and the municipal organisation. In Groningen and Leeuwarden, these interactions are characterised by a tension that seems to have its origin in the formal requirement that audit committees should be independent. In order to maintain their independence, the audit committees in the two municipalities are often reluctant to incorporate in their reports suggestions for changes made by the Executive Committee and/or the municipal organisation. However, by ignoring suggestions from persons who are generally better informed about the specific situation, audit committees run the risk of producing reports that do not seem very useful to those who have to implement their recommendations.

The perceived limited usefulness of audit reports – in turn – influences the political process because of a second conceptual problem. This arises from the interactions between the municipal council and the Executive Committee. Interviewees in Groningen indicated that councillors tend to focus on some of the more minor issues in the audit reports and to ignore the key issues. Although there may also be other explanations, this could be because councillors find it difficult to understand the contents of audit reports and their implications for the local government organisation. This may also be why the councillors in the two municipalities often feel that they cannot add much to the Executive Committee’s formal written reactions to the reports. As a consequence of their lack of understanding, when trying to make sense of audit reports councillors have to rely primarily on the opinions of others; in practice, this is usually the members of the Executive Committee. However, given the Executive Committee’s dissatisfaction with audit reports, its members have an incentive to use their influence over the council to guide the discussion in directions that they consider to be desirable, or at least harmless. The end result could be that in practice the council has not much influence over how audit reports are used to shape changes in the municipal organisation. Nevertheless, this is not to say that the council has no role at all, as it might prevent the Executive Committee from merely disregarding audit reports.

The second conceptual problem is related to one of the basic features of the dualistic model of governance; namely, the formal separation of the municipal council and the Executive Committee. Two recent studies of the introduction of the dualistic model in local and provincial government in the Netherlands were either rather vague about the effects of this change in governance (Hanemaayer et al., 2008), or rather negative (Gemeenteraad.nl, 2009). To be precise, in a short survey Gemeenteraad.nl (2009, p. 1) found that 60% of the more than 1350 respondents (mostly councillors) are of the opinion that the introduction of the dualistic model has not been a success, and only 20% believe it has narrowed the gap between citizens and politicians. Moreover, although the focus of these studies was broader than the role of audit committees, one of them did investigate some aspects of audit committees. Based on documents, group interviews and a survey, it concluded that, although the work of the committees is appreciated by the various stakeholders, audit committees have only a minor role in supporting the council (Hanemaayer et al., 2008, p. 86).

7. Conclusions

The findings from our empirical study indicate that the success of performance auditing, in terms of its contribution to the quality of political and democratic processes, is not only constrained by the type of information that is produced. In this study we have investigated the audit committees in Groningen and Leeuwarden, both of which produce a broader set of information than some of their international counterparts described in the literature. Nevertheless, their contribution to political and democratic processes – and more particularly, to the position of the municipal council and to citizens’ attitudes – seems to be small so far.
Although in our research we studied two Dutch local government organisations, the implications may also be applicable to other countries and to governmental organisations more generally. More specifically, our discussion in section 6 of two conceptual problems of performance auditing reveals a tension between an audit body’s independence and its responsiveness; a tension which has been described in more general terms in the literature on performance auditing (Lonsdale, 2008; Mohan and Sullivan, 2006; Sharma, 2007, pp. 296–303). According to Lonsdale (2008, pp. 228–229), independence can be described – in the context of auditing – as ‘an ability to determine what, how and when work is undertaken without undue interference’, and responsiveness as ‘a willingness to listen to other parties and possibly incorporate their requirements and expectations into the design and implementation of the work’. He suggests that it is important for audit bodies to find a balance between these two more or less contradictory requirements. On the one hand, they need to be independent in order to maintain their credibility. On the other hand, they have to be responsive in order to avoid being ignored by decision-makers; for example, because their reports are not regarded as useful. Currently, both the Dutch central government and the two audit committees we studied, stress the importance of independence. However, in order to strengthen their role, audit committees might need to take a more balanced approach.

Whereas other authors, who describe the tension between independence and responsiveness, tend to focus on bilateral interactions between an audit body and its stakeholders, our research suggests that a more integrated approach is required as the audit body’s interactions with the elected body are closely related to its interactions with the Executive and the official organisation. From our research, we conclude that if an audit body wants to produce reports that have real effects on the governmental organisation, it should be responsive to the suggestions of the Executive and the official organisation. If it also wants to have an effect on the position of the elected body, it should clearly distinguish its role at the time when the audit report is discussed by the elected body and the Executive, and its role at the time – earlier in the audit process – when the topics for investigation are selected.

When an audit report is discussed by the elected body and the Executive, the position of the elected body might be relatively weak, due to a lack of information to enable it to decide what changes should be requested. As a result, the Executive and the official organisation are likely to have a decisive influence over decisions about how the audit report is to be used. Nevertheless, the elected body could have a much stronger position earlier in the audit process. Although this was not the primary focus, our study in Groningen and Leeuwarden suggests that an elected body can have a considerable impact on the audit process, and hence on the governmental organisation, by proposing specific topics for investigation. For example, it appeared that in our two cases audits can put issues high up on the agenda of the municipal organisation. However, an elected body will only be able to exert its influence in this way if the audit body is responsive to its proposals concerning topics for investigation. Here there was a difference between our two cases. In Groningen the audit committee seems much more open to suggestions from councillors as compared to the audit committee in Leeuwarden. Because of its greater involvement in the selection of topics, the council in Groningen probably attaches more importance to the audit reports, and this could reduce the possibilities for the Executive Committee to ignore them.

In summary, our findings suggest that, although to some extent audit bodies must defend their independence to maintain their credibility, they should also be responsive to their key stakeholders: the elected body, the Executive and the official organisation. Only if it responds sufficiently to both the elected body’s requests for investigations, and requests for changes to the draft versions of audit reports emanating from members of the Executive and the official organisation, will it be able to contribute to the elected body’s position; i.e. its ability to influence the organisation’s activities and results. This outcome can be related to the findings from Radcliffe (2008), who suggests that in practice audit bodies tend to work ‘strategically wise’ to increase the likelihood of their work having effects. However, he also points out that such a pragmatic approach contributes to situations in which ‘public secrets’ are maintained. Therefore, further research is needed to investigate how audit bodies can maintain the balance between independence and responsiveness, and to examine the consequences of higher levels of responsiveness than we observed in Groningen and Leeuwarden.

There are also some other issues that were not specifically examined in this paper, which merit further research. For instance, we argued that, because of the complex nature of both performance and accountability in the public sector, performance audits could lead to different types of information. However, we did not investigate whether different types of information have different effects on the position of an elected body and on citizens’ attitudes, and hence on the quality of political and democratic processes. Therefore, further research is required to compare the effects of audit reports that are concerned with different types of information. The outcomes of this type of research may be expected to help practitioners (e.g. members of audit bodies) who have to decide which type of information should be the primary focus of their audit reports. Also, this paper did not examine whether performance auditing can contribute to the performance of governmental organisations. Since audit reports are often meant to provide a starting point for performance improvements, in the longer term they could improve the functioning of government and the quality of the services provided to citizens, and thereby have a positive impact on citizens’ attitudes. Although it will be difficult to ‘measure’ the impact on citizens, future studies could focus on the measurable effects of performance auditing on the performance of governmental organisations.

One final element, which again we did not examine in this study – but which was hinted at by some of our interviewees is how audit bodies can contribute to what Brown (2009) refers to as ‘more dialogic forms of accounting’; i.e., forms of accounting which recognise the ‘plurality’ of government and thereby promote democratic interaction (see also Boyce, 2000, pp. 27–31, 56–57). The reports of the local government audit committees in the Netherlands are relatively new, and are an addition to the ‘traditional’ financial audit reports produced by a chartered accountant and also to the vast range of performance reports provided by the Executive Committee and the municipal organisation. As such, they increase the
number of perspectives from which the local government organisation is considered. This could be an important contribution in a democratic environment; in particular, if the audit committees can succeed in gradually strengthening their role in the local political arena. Future research on audit bodies could reveal whether in general – as suggested here – performance auditing can contribute to a more pluralistic view of governmental organisations.

To conclude, although this paper has been rather critical, we believe that performance auditing has the potential to contribute to the quality of political and democratic processes. However, further research is needed to find out how this can be achieved. We hope that our paper will be a valuable starting point for such research.

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Appendix I.

See Table 1.

References


