

**Performance Audit Argument: a Public Management
Policy Analysis about Supreme Audit Institutions Role**

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1. Introduction

This paper is an attempt to provide an argumentation (Dunn, 1994, Hood and Jackson, 1991, Walton, 1992; Majone, 1989, Barzelay, 2000) about recent public management policiesⁱ of audit and evaluationⁱⁱ conducted by Supreme Audit Institutionsⁱⁱⁱ. Such policies seem to be reflecting the doctrine that a public organisation of external control of the bureaucracy should balance and integrate the pursuit of two types of accountability, namely, compliance accountability and performance accountability (Light, 1993:14; Barzelay, 1997:384, Pollitt et al., 1999:15, Hood et al., 1999:06)^{iv}.

By providing such argumentation, this study aims to fulfil five outcomes. A first outcome is to provide a clear and reliable argumentative framework about performance audit. It is argued that performance audit can be characterised as a strand of public management policy. Public management policy is a strand of the New Public Management (NPM).^v Therefore, analytical frameworks within NPM might be serviceable tools to approach performance audit, as shall be demonstrated.

Secondly, it tries to build an analytical framework about how to study performance audit phenomenon. It is argued that an approach to the study of performance audit as a recent phenomenon in many national public administrations should hold three streams, namely, political, organisational, and managerial. The political and organisational streams should be analysed with the use of methodological tools within political science and comparative public administration. The latter stream should be approached by policy arguments backed by public management literature, general management doctrines and empirical knowledge about a government processes and operations.

Thirdly, it identifies that a choice of Supreme Audit Institutions to conduct performance audit is a political phenomenon. Research in Political Science should explain facts and events (Elster, 1989). An example of an event related to performance audit is the

creation of the National Audit Office in 1983. A fact is that SAIs are increasingly shifting their type of control over the bureaucracy from compliance audit to performance audit. This fact is a relevant policy issue for this paper. Since it involves many countries and as a political phenomenon, analysis of this fact should engage research in a comparative perspective (Sartori, 1994:15).

Fourthly, the kernel issue of this paper is to provide an explanatory argument^{vi} addressing the question of how proper and consistent arguments in favour of the adoption of a performance-orientated control in the public sector are. It is argued that both contractual and managerial approaches to performance-orientated accountability may suffer as a result, if empirical knowledge of governmental processes and institutions are not taken into consideration. Academic works have been demonstrating that management and control in the public domain are neither a monolithic phenomenon (Hood: 1998; Hood et. All: 1999; Wilson, 1989) nor alike private sector in many important respects (Allison, 1984; Bardach, 1998; Moore, 1995:). Therefore, the effectiveness of a performance audit argument as a way of improving performance in a government and enhancing its accountability should rely on due considerations about public sector specificities.

Lastly, this paper presents a critical discussion on how literature, research, and professional discussion about performance audit might be improved.^{vii}

2. Performance Audit Argument

Performance audit is a government review process that covers a broad range of activities (Shand and Anand, 1997:58), which can be approached by many ways. An institutional approach to performance audit is a quite useful way to show empirically what institutions and actors actually do when they say they are conducting performance audit. Some serious works in this area (as Barzelay, 1997; Pollitt et al., 1999) have been indicating an inexorable move among Supreme Audit Institutions of many countries towards this kind of government review mode.

Such institutional analysis of performance audit demonstrates that it is a much more complex mode of review than traditional forms of compliance accountability. According to the International Organisation of Supreme Audit Institutions (INTOSAI), performance audit embraces such concepts as:

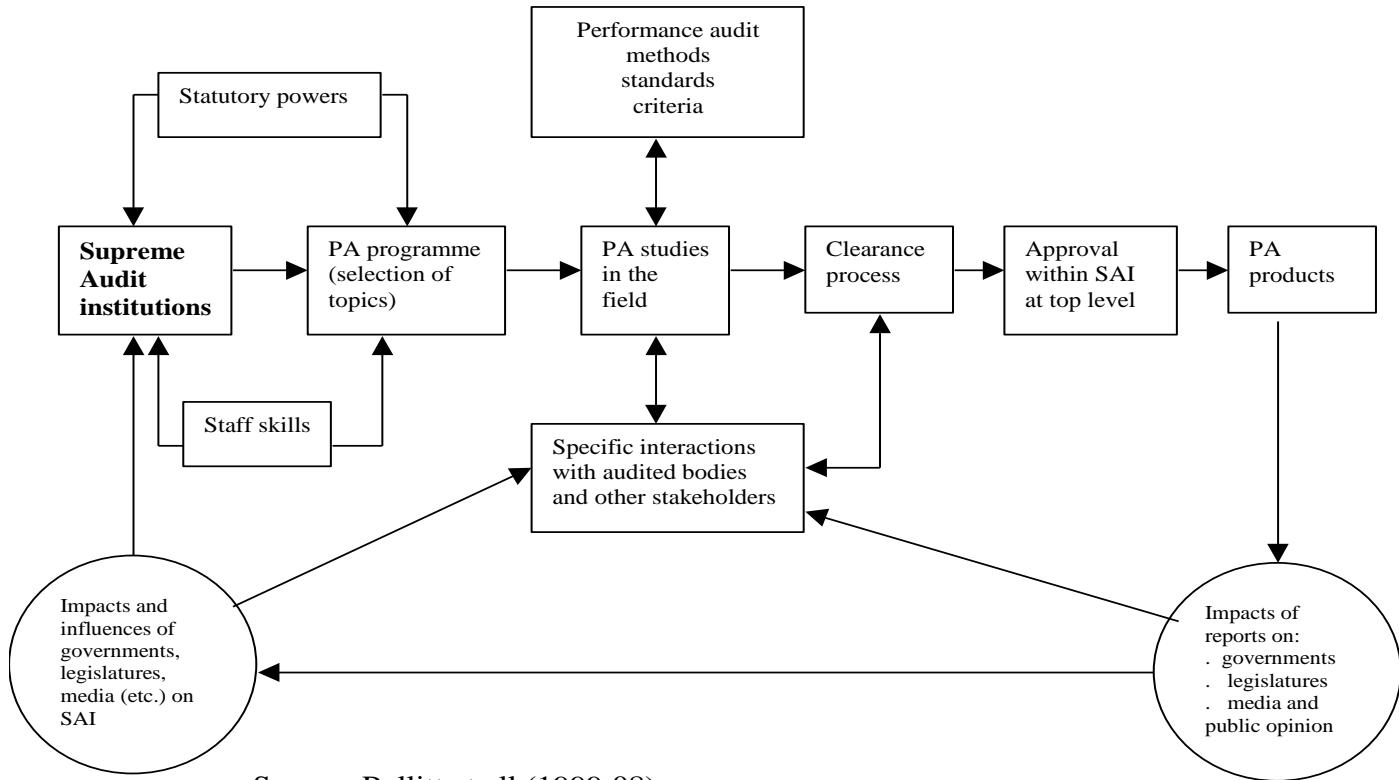
1. *audit of the economy of administrative activities in accordance with sound administrative principles and practices, and management policies;*
2. *audit of the efficiency of utilisation of human, financial and other resources, including examination of information systems, performance measures and monitoring arrangements, and procedures followed by audited entities for remedying identified deficiencies; and*
3. *audit of the effectiveness of performance in relation to the achievement of the objectives of the audited entity, and audit of the actual impact of activities compared with the intended impact. (INTOSAI, 19992:19)^{viii}*

Performance audit and financial or regularity audit differ in the way they are managed within SAIs. The traditional model of financial audit consists of a repeated annual cycle of “checking the books”, while performance audit is usually carried out as an individually

tailored project (Pollitt et al., 2000:16). Performance audit seems to involve more actors and reach broader areas within public administration and external constituencies than traditional compliance audit. An example is the policy-making arena, when conducting program effectiveness audit or program evaluation. The impact of audit reports in public opinion and repercussion in the media tend to increase in works regarding managerial and effectiveness issues about government bodies' operations. Finally, the process of performance audit is usually longer compared with compliance audit, because it involves more methodological issues and is constrained by more actors.

The criteria and methods applied by SAIs are also a shift from traditional auditing procedures of gathering, analysing, and disseminating information. Financial audit is a system rich in formal rules and technical procedures (Power, 1997:39). Some authors argue that financial audit will become an even more proceduralized regulatory compliance product, narrowing the opportunities of professionals to make instrumental judgements (Hatherley, 1995). On the other hand, performance audit has increased the interface of audit with other fields of knowledge, like general management, policy analysis^{ix}, and public management.

Figure 1 . The process of performance audit



Source: Pollitt et all (1999:08)

2.1 *Performance Audit and Public Management*

For purposes of the discussion provided in this paper, compliance accountability is linked to ideas within the Progressive Public Administration, like traditional forms of compliance audit relying on financial statements, certification, legality, and administrative due process. These practices reflect a set of ideas about the proper way public service should be held accountable, which justifications rely on theta-type values^x, according to Hood and Jackson (1991:11). Performance accountability is linked to ideas within the New Public Management^{xi}, as types of performance audit^{xii} relying on efficiency, economy, effectiveness, good management practice, good governance, quality of service and goal attainment (Pollitt et al., 1999:90) which justifications are closed to sigma-type values.

These two types of ex post review of government activity may be distinguished by their background mental models of governmental functioning (Barzelay, 1997:387). Compliance audit would be linked to the machine bureaucracy mental model of rule-governed fashion (Mintzberg, 1983: 163). A performance audit would be linked to a particularistic style of ideal-typical professional bureaucracies (Ibid. 189), relying on more impartiality, expertise, and professionalism.

Progressive Public Administration (PPA) and New Public Management (NPM)^{xiii} can be defined as administrative philosophies (Hood and Jackson, 1991; Hood 1994)^{xiv}. Administrative philosophies can be characterised as a set of coherent and justified doctrines that come to be accepted in a certain time-frame in history as answers to questions of how to get organised in the public sector. Camaralism, Progressive Public Administration, and New Public Management are examples of such administrative philosophies.^{xv}

Accordingly, the study of performance audit may be related to doctrines belonged to NPM ideas set. One way to approach NPM ideas is to analyse the 'acceptance factor'^{xvi}. Some

governments have been accepting NPM ideas as feasible alternatives-specification to their agenda setting (Kingdon, 1984)^{xvii} related to administrative reforms, since the late 1970's^{xviii}.

NPM ideas may be identified as responses to increased preoccupation about the way bureaucrats had been 'capturing' politicians and then, ruling both processes of policy making and policy implementation (Aucoin, 1990:116; P.Self, 1993:157). The need to re-establish the primacy of managerial principles over bureaucracy was also stressed (Metcalf and Richards, 1987:35). In this historical perspective, NPM is better characterised as the conjunction of ideas adopted by two schools of thought, namely, public choice and managerialism^{xix}, which dominated administrative reforms in many countries around the world, especially those within the Westminster system (Aucoin, 1990:119). Briefly, NPM has been defined as an accepted philosophy, which encapsulates a set of coherent and justified doctrines^{xx}. Such doctrines address the what-to-do questions in administration which come somewhere in between policy making and policy implementation, on one hand, and public management and related theories, on the other.

Finally, the term NPM may be analysed as a field of academic research and argumentation, as well as a field of professional discussion about management policy interventions within the executive government. So defined, argumentation and research about public management should focus on the political and organisational processes through which policy change takes place^{xxi}. In addition, works addressing this subject-matter should focus on substantive analysis of public management policy (Barzelay, 2000:Chapter 6). The approach to NPM characterised in this paragraph seems to suit better the focus of this paper, albeit the other approaches cited may be useful occasionally. This paper focus on substantive analysis of the public management policy side of performance audit argument.

2.2 *Political and organisational performance audit argument*

Performance audit implicates questions about the distribution of authority and control in the policy-making process in a way that regularity audit does not. In mediating the tensions between the legislative and executive bodies of government, SAIs are unique and distinctive institutions of constitutional significance (White et al., 1994). The capacity to conduct performance audit affecting the policy-making process, however, does not only rely on the independence, expertise, and professionalism of these institutions. Such conditions are necessary, but not sufficient. The development of performance audit depends rather on the political and organisational environment a Supreme Audit Institution is embedded in.

What is to be highlighted here is that the way a SAI conducts performance audit is shaped and constrained by factors inside the state, rather than a technical issue that would demonstrate the best way to review and oversee a government. There is not a set of coherent programmatic way in which SAIs conduct performance audit. On the contrary, SAIs have developed different types of control by results and best practices under the umbrella labelled performance audit.

Empirical evidence among OECD countries has demonstrated that only a few SAIs give due consideration to policy-content issues when developing performance audit. It is the case in Australia, Germany, the Netherlands, Sweden, and the United States (Barzelay, 1997:396)^{xxii}.

The argument carried out here is that performance audit is a policy choice (Dunn, 1994). Therefore, the political and organisational processes through which performance audit has arisen in several countries might be analysed in a comparative perspective^{xxiii}. Differences

and similarities in the way SAIs practice performance audit might be integrated in a general scheme (Dogan and Pelassy, 1984:112).

On the one hand, similarities might be analysed in terms of a policy convergence within governments that have shifted their inside regulation and control focus from compliance to results^{xxiv}. On the other hand, differences might be analysed in terms of types of SAIs review modes portfolio practices resembling performance audit. Among differences in practices, one aspect looks of high importance, namely, whether a SAI conducts or not program effectiveness audit and program evaluation^{xxv}.

There are external forces promoting the growth of performance audit, many of which are evident throughout OECD member countries. These forces refer mainly to fiscal stress, expenditure cuts, changing environment, political and social pressure for a more openly accountable government, and increasing expectation on quality government services (Shand and Anand, 1996). From this perspective, factors counting for convergence seem to be related to fiscal crisis, budgetary constraints, and public disenchantment with government performance (Rhodes, 1997: 42). Such shift in ideas and changes in the environment a government operates (Hood, 1994) have been challenging the role of the welfare state, towards a regulatory state (Majone, 1994, Loughlin and Scott, 1997; Hood et. All 1999). Performance audit might be responding to these transformations as a 'mirror' image (Hood et Al. 1999: 07) of a change in government operations and the issue-images created about what is good and responsible government (Aucoin, 1995).

Albeit a convergent transformation in the oversight process towards performance audit seems to be increasing among democratic and market-oriented countries, a dissimilar pattern of performance audit, however, is also verifiable. The most important dissimilar pattern is the conduction of works questioning policy-content.

It is argued that the US General Accounting Office is able to conduct performance audit questioning policy content because it is embedded in a fragmented non-monolithic policy making environment. On the other hand, the National Audit Office faces difficulties to question policy-content because it oversees a disciplined and integrated policy community of rulers in the UK.

In the UK, there is a complex alliance between the Treasury, the Parliamentary Accounts Committee (PAC), and the Comptroller and Auditor General (C&AG)^{xxvi}. Within this alliance, the boundaries of state audit and the role of C&AG are constantly moving (Dewar, 1991). Such alliance does seem to indicate that the role of NAO should stop closer to policy-content issues and rely on other forms of performance audit. Works based on criteria of program effectiveness conducted by the National Audit Office are few. They sum 22 in the period of 1993-1995 (Pollitt et al., 1999:98). Such audits are not supposed to question the merits of government policy (Barzelay, 1997: 398).

NAO's Reports that tried to question government policy suffered serious criticism from Whitehall mandarins. In the beginning of the 1990's, some reports, such as the one about the sale of the Rover Group, raised issues on government policies' merits. Alarmed at this development, various permanent secretaries issued warning in 1991 about the way NAO was entering the policy arena and becoming political (The Independent, 4 February 1991, quoted in Glynn, J et al., 1992: 56). The prevailing thought among policy rulers in the UK is that if auditors challenge the quality of democratically determined policy, departments are justified in drawing attention to it. 'But, such challenges may go unheeded if departments object simply to prevent inconvenient intrusions' (Ibid.).

In spite of the spread of the Labour rhetoric of open-government, the policy-making process within the Whitehall is still full of secretiveness (Kellner and Hunt, 1981:264). The level of influence of civil service mandarins as advisors of ministers is still high. 'Lateral'

entrance does not seem to have challenged the majority of mandarins in the top positions. Most ‘Outsiders’ were appointed for executive agencies, but they only count 25 percent of the agencies’ staff. ‘The ‘core’ executive is a small community concentrated in a half a square mile of central London. This apparatus is no ‘government of strangers’. It is a ‘village’, small enough for everyone to know each other well and to be preoccupied with pursuing and maintaining their reputation (Hood and James, 1997). The emanation of policy advice comes from this insulated territory of mandarins. British politics is a compound of a mass that implements policy and some privileged that say how it should be done. Reaching the summit (Barbaris, 1996:140) and being able to give advice as a permanent secretary in the UK Government is a process that generally takes a lifetime career. From many Oxbridge^{xxvii} younger recruited, few will reach this status^{xxviii}. Once there, they insulate themselves (ibid. 143).

It is a mistake to think that it is easy to measure the relative power of ministers, civil servants and outside pressures (Dowding, 1995:122) in the policy-making process in the UK. However, in the Whitehall system the cohesion of the ruler community avoids interventions in the policy-making process from ‘outsiders’. The National Audit Office auditors are strangers in this ‘Village’, and, therefore, are not welcome to express opinion on policy-content issues. In fact, they do not.

Unlike Britain, Public Administration in the United States is fragmented in both governmental and bureaucratic levels. Arguably, power on policy-making process is divided between the executive and the legislature in an unclear design. The complexity of the policy-making geometry of Washington is metaphorically characterised as the ‘iron triangle’. In this geometry, interest groups, congressional committees and subcommittees, and executive agencies are tied symbiotically together, ‘controlling specific segments of public policy to effective exclusion of other groups or government authorities’ (Salisbury et al., 1992).

The executive is highly fragmented inside. Departments and sub-departments may have traditions and policy stances that the president should respect if policy objectives are to be achieved (Peters, 1995:18). These stances, however, are a compound of career civil servants 'think tankers' and 'outsiders' appointed by the president. This fragmented structure within the executive level is mirrored in the many Congressional committees and sub-committees. Institutional politics in the United States is 'government against sub governments' (Rose, 1980).

In such fragmented environment operates the General Accounting Office (GAO). Its main function is to assist the Congress in its legislative oversight of the executive branch. The vast majority of GAO's work is audit and evaluation but it also has other responsibilities, including prescribing accounting standards for the entire federal government in conjunction with the Office of Management and Budget and the treasury. GAO is formally independent of the Congress. The Comptroller-General is appointed for a fixed term of 14 years. The work of GAO is unconstrained because the executive policy-rulers are not coordinated enough to oppose consistently to external evaluation of their programs. Moreover, the General Accounting Office has built a strong client relationship with Congress (Barzelay, 1997:395) that has permitted less questioning about performance audit and evaluation it might conduct. GAO has evolved into an effective policy analytical and advice organisation for Congress (Rist, 1990).

This paper focuses its analysis on the public management policy stream of performance audit. It should be clear, however, that the political and organisational stream of such policy is decisive in the feasible modes of review of public programmes, policies, projects, and organisations. It is claimed that performance audit is a process of public management policy change. Configuration of an oversight system mirrors both external (and

‘irresistible’) forces of ideas about accountability in government, and factors inside the States that might constrain and shape the way a SAI conducts performance audit.

2.3 *Managerial performance audit argument*

Substantive analysis of the modes of audit and evaluation of a public management policy stressing performance audit are, however, the kernel issue of this paper. The analysis takes cases of performance audit to draw lessons on literature and research within public management, and governmental processes of control practised by Supreme Audit Institutions.

Argument on performance audit should be warranted^{xxxix} by literature within general management^{xxx}, public management, empirical knowledge about a government process and institutions, and surveyed practices of oversight conducted by Supreme Audit Institutions. Issues on such subject matter, however, seem to remain unresolved in the literature reviewed for this paper. Therefore, the paper claims for improvement in both research and literature in this field.

As a requirement of good argumentation, the subject, nature, and scope of claims should be set clearly (Barzelay, 2000:153). The subject addressed by claims considered in this discussion are mainly related to public management. The nature of conclusions drawn about practices in the oversight process are evaluative management policy claims.^{xxxi} Such claims are applied to Supreme Audit Institutions.

Considering that statements about public management policy evaluations are based on compound arguments, evaluating practices of audit and evaluation of a Supreme Audit Institution are assumed to be a construct of a management policy argument, part of a compound argument^{xxxii}, as follows:

$$C = A (T) \text{ (array of theory (T) warranting claims(C) about performance accountability in government)}$$

$E = A (S_{SAI}, T)$ (*construct of evaluative claims (E) about performance audit (PA) conducted by SAIs (S_{SAI}). Evaluation on whether PA is consistent with T*).

$T = A (NIE, MAN, PMAN, KG)^{xxxiii}$

NIE = Tpa = Principal-Agent Theory

MAN = Performance Management literature, in general; Management Accounting and Control doctrines, in particular.

PMAN = Administrative Argument, Public Management Culture Theory;

KG = A (WA, MA, BA, AA, SA)

WA = Wilson's Contingency Theory claims

WA = A (S, CT)

MA = Moore's Creating Public Value Claims

MA = A (S, CPV)

BA = Bardach's interagency collaboration claims

BA = A (S, IC)

AA = Aucoin's evaluation in favour of New Public Management

AA = A (S_{West} , **TPA**, **WPO**, **PPA**).

TPA = Principal-Agent Theory;

PPA = Progressive Public Administration (see section 2.1)

SA = Schick's Evaluation about New Zealand reforms

$SA = A (S_{NZ}, \mathbf{SM}, \mathbf{MAC}, \mathbf{PPA})$

SM = Strategic Management

MAC = Management Accounting and Control

PPA = Progressive Public Administration

3. The public management policy analysis stream of performance audit

New Public Management has been spreading a new mentality stressed on result-oriented approaches to governmental routines and operation. Classical oversight systems relying only on financial statements and compliance to norms seem to have been giving insufficient responses to this new paradigm. Accordingly, the over legalistic ethos of these classical oversight systems may have incorporated a new one, relying on a “management accounting” (McSweeney, 1994) approach as an ideal of good management practices within public sector business.

The novel way Supreme Audit Institutions are attempting to oversee governments, in a more specific perspective of audit and evaluation stressing on managerial good practices, output/outcome achievements and impacts, finds similitude within reforms under the rubric of the New Public Management^{xxxiv}. In this vein, explanatory arguments^{xxxv} about NPM might be serviceable tools to approach SAIs policy arguments in favour of a performance accountability orientation to government. A new audit policy paradigm within Supreme Audit Institutions stressing on results in the name of performance accountability and enhancement of management practices is surrounding governmental evaluation and review practices. Some of them seem to be more prone to drastically change the way public bureaucracies are made accountable; others might be resisting to move quickly from the existing paradigm. All governments, however, seem to face some administrative contingencies inherent to public sector imperilling a full development of a performance orientation, including performance audit.

From the auditees’ standpoint, the classical oversight system by which they have been reviewed does not provide them a good managerial tool, either. Arguably, the stories of achievement (Corevellec, 1997) of public bodies are not being perfectly reflected on the

financial statements by which they have been overseen by their political masters. The issue, accordingly, does not lie only on whether governmental bodies should or should not be overseen by performance achievements. The issue is also, on whether outputs and outcomes may be well defined or not. In fact, how to negotiate an auditable environment and construct a knowledge base (Power, 1996) in both, Supreme Audit Institutions and public bodies they oversee, about performance audit are the critical points. Moreover, aligning vision, mission, and outcomes (organisation strategy) with the corresponding objectives, targets and outputs (critical performance variables) (Kaplan and Norton, 1998; Jackson, 1993:12) and how to measure them in the public sector context (Boyle, 1989) are key issues within performance accountability.

The remainder of this chapter concentrates on these key contested issues in the domain of performance accountability. It highlights characteristics of a well-designed performance-oriented system, which implies that managers become “committed to and accountable for achieving the organisational vision”(Kaplan and Norton, 1998: 249)^{xxxvi}. In the public sector, reforms regarding the matter of performance improvement and accountability enhancement followed two strategies: managerial and contractual. Therefore, it should be reasonable to distinguish a contractual approach (Aucoin, 1995) from a managerial one (Schick, 1996) in the context of explanations of New Zealand’s public management policy reforms. It links these approaches, respecting the structure of the argument here defined, to the paper policy questions. The paper appraises whether public management literature is able to resolve, or if it is even compatible with, these issues, considering contingencies in the public sector (Wilson, 1989, Gregory, 1995); knowledge of governmental processes and institutions (Moore, 1995; Bardach, 1998; Hood, 1998) and Management Accounting and Control doctrines.

3.1 The Contractual model of performance enhancing accountability

Supreme Audit Institutions seem to be certain about the necessity to incorporate (or consolidate) performance audit as a line product of their review portfolio. Executive governments, in their turn, seem to lack of resistance to have their activities reviewed through this perspective^{xxxvii}. A plausible reason for this convergence of ideals is that as some governments have been implementing contracts (output/outcome agreements) between ministers and head of agencies/chief of departments, those contracts should be checked against their results. Therefore, a third actor, Supreme Audit Institution, is being called upon to be part of a principal-agent relationship between ministers and head of departments/executive agencies.

3.1.1 Principal-agent theory

A prima-facie interpretation of a SAI decision to oversee government by results is that this latter may be facing a principal-agent problem. The need for principals to monitor agents gives rise to audit (Power, 1997:16). Contracts or agreements between ministers and their subordinates should be audited. Because of the remoteness and complexity of the subject matter of auditing, principals are unable to do this monitoring by themselves and require the skills of an auditor (Flint, 1988).

Principal-agent theory is a construct in the field of New Institution Economics. Such theory states that since agents make choices for principals (decision structure) and principals cannot review all choices (information structure), principals should provide agents with incentives to enforce them to make “good choices.” This theory is underpinned in the economic rationality: the process by which agents make choices is a function of opportunity

and cost. Such function should be maximised if agents have incentives to make good choices for them (principals)^{xxxviii}.

Peter Aucoin's argument about New Public Management states that reforms under the Westminster system regarding the matter of improving performance, and improving the clarity of policy objectives (to enhance accountability) have driven along two different paths. Namely "plans" and "contracts." The latter adopted by New Zealand and England, and the former in Canada and Australia (Aucoin, 1995:196). Aucoin stresses advantages and disadvantages of these two models, but rejects the proposition that these approaches are mutually exclusive. For purposes of discussion of this paper, I select Aucoin's argument involving the contractual model in New Zealand, since the author makes a more positive evaluation of this model in that country than in England. New Zealand, therefore, would be, interpreting Aucoin, the best case of a "contractual" model.

Aucoin makes a very positive evaluation of New Zealand reforms under these contractual arrangements.^{xxxix} Securing accountability in this context, according to the author, would depend on the level of transparency of determining responsibilities between ministers and chief executives, on the one hand; and that managers (chief executives) are assigned authority and responsibility for full management of "financial, personnel and capital resources deployed in the provision of outputs", on the other (Aucoin, 1995:227). Moreover, the State Services Commissioner can impose sanctions and rewards on chief executives (Ibid. 226).

3.1.2 Problems of rewarding and sanctioning civil servants

Aucoin seems to be mistreating at least three circumstances in his positive evaluation about output/outcome agreements between ministers and departments/agencies. A first proviso would be that public servants would be rewarded or sanctioned by good or bad achievements specified in contracted outputs. It could be argued that public managers should be inherently moved by creating public value (Moore, 1995)^{xl}. In this context, how could this

value (output/outcome achievements) be measured financially, contrasting with the private sector where this value equals profit ? In other words, how and how much should public servants be rewarded/sanctioned for having complied (or not) with contracted outputs (as in the private sector sense). The doubt about the application of principal-agent theory in the public sector is to what extent the (des)incentives, crucial to the maximisation of the choice function, is applicable to public servants^{xli}.

Constraints on this first proviso could be relaxed if the cultural bias of the collectivity is hierarchist, since the public service would be motivated to satisfy “authoritative aspirations”(Barzelay, 2000:102)^{xlii}. In this case, they would be prone to accomplish whatever should be contracted, whether or not there is an incentive to do so.

Bringing culture theory applied to public management on the scene to contrast a hierarchist ethos with an individualist cultural bias assumption of principal-agent theory is to assume that the public service system has a hierarchist “way of life” (Hood, 1998:73-76). Such construct, however, is in conflict with a performance-oriented approach by contract. Arguably, doing public management in a hierarchist way means that “self-organising” and “self-steering” (Ibid) processes are being avoided. The main reason for a contract in the New Institutional view, however, is to self-steer and self-organise public managers and public agency by incentives.

To make this discussion clearer, “ways of life of administration” should be applied to identify types of administrative cultures where a contractual approach to public management is effective. Figure 2 bellow demonstrates that only in an individualist culture contracts may reach some effectiveness in their implementation. However, as it will be demonstrated in the following sections, effectiveness of such an implementation would also depend on the type of public agency (Wilson, 1989).

Figure 2. Culture theory applied to Public Management

		Group ^a	
		High	Low
Grid ^b	High	<p style="text-align: center;">The Hierarquist Way</p> <p>Control: <i>Oversight ('command and control' techniques)</i> Contract: <i>Low effectiveness</i> Management: <i>High commitment</i> Ethos: <i>Bureaucratic</i> Doctrine: <i>'Bossism'</i></p>	<p style="text-align: center;">The Fatalist Way</p> <p>Control: <i>Contrived randomness (unpredictable processes or payoffs)</i> Contract: <i>Individual, not collective</i> Management: <i>Low commitment</i> Ethos: <i>Low co-operations, distrust, and apathy</i> Doctrine: <i>'Chancism'</i></p>
	Low	<p style="text-align: center;">The Egalitarian Way</p> <p>Control: <i>Mutuality (group processes)</i> Contract: <i>Collective, not individual</i> Management: <i>Internal commitment</i> Ethos: <i>Insulated community</i> Doctrine: <i>'Groupism'</i></p>	<p style="text-align: center;">The Individualist Way</p> <p>Control: <i>Competition (rivalry and choice)</i> Contract: <i>High effectiveness</i> Management: <i>By results</i> Ethos: <i>Market-like</i> Doctrine: <i>'Choicism'</i></p>

^a Extend to which public management involves coherent collectivities, institutionally differentiated from other spheres of society

^b Extend to which public management is conducted according to well-understood general rules.

Source: Adapted from (Hood, 1998: 09; 53; 235; Hood et al 1999:14)

In a hierarchist culture of administration, performance audit may be ineffective if it relies on a contractual approach because the bureaucratic ethos of organisations rooted in such culture may lead to reversal effects. The rule-bounded paradigm of this kind of organisation makes it very difficult environment to make managers 'free' to management. They are ready to work in a very legalistic environment and they are less committed to result-achievement than to accomplish prescribed procedures. Therefore, the organisation's strategy should be very well-designed. Mission, vision and objectives should be aligned with goals and targets. Performance audit in this context should focus on a managerial approach rather than on output/outcome achievements. Furthermore, contracts usually specify outputs and outcomes, but not how to achieve them. A hierarchist organisation needs to have norms (procedures) that show how to perform a task or how to achieve a goal. If it is well-designed, results are

achieved by the high grid/group bias. In such contexts, compliance accountability is likely to be more effective than performance accountability.

In egalitarian cultures, contractual approaches between principals and agents should be agreed on for the collectiveness not for individuals. The low propensity to competition (Dunleavy and Hood, 1994) in such cultural contexts makes other forms of control other than the internal control by peers ineffective. Moreover, such types of organisations are resistant to be overseen, as they tend to insulate themselves from other parts of society. The 'Village World' of mandarins in the core of the British Government Executive (Heclo and Wildavky, 1974) and New Zealand's Treasury (Schick, 1996) are examples of such organisational culture. Performance audit in such contexts sounds ineffective to affect behaviour.

A fatalist organisation should assign individual contracts and check them randomly, because people tend to respond to external norms, specially rewards/sanctions. However, they have low commitment to management and collective aspirations. They are willing to accomplish external norms to avoid punishment, however, they are less prone to be committed to an organisation strategy. A performance audit in such context should focus on the reliability of internal control systems and random check on individual contracts.

An organisation embedded in an individualist culture would be a best case for a contractual relationship to be effective in terms of the principal-agent theory. According to the individualist perspective, effective accountability in public services means making producers responsive to customers in 'market-like relationships, just as business firms sometimes claim to be accountable to their customers' (Hood, 1998:55). A contract would be an 'instrument' that should set clear relationship between costumer-provider, which is called by Schick (1996) as performance/purchase agreement. Problems of performance measurement remain unresolved, however. The first refers to the difficulty to establish a pecuniary value of output and outcome in the public service. Another problem is related to the measurability and

observability of outputs and outcomes, which are often difficult to measure in the public sector. Lastly, it should be highlighted that measuring difficulties are related to both feasibility and cost to gather relevant information (Thompson, 1991).

3.1.3 Problems of public value search

A second proviso would be that public managers' actions would be tightly related to outputs/outcomes agreements. Although Moore's (1995) and Bardach's (1998) theoretical frameworks about the role of public managers relate mainly to the US context (Aucoin analyses the Westminster system), there seems to be no reason to assume that the other systems are so different from that one, in respect of vagueness and obsolescence in mandates of public managers, specifically. Moore and Bardach argue that the role of public manager is to create public value. Public value should be developed through a strategy. They propose different approaches to this strategy. However, they are not mutually exclusive, but rather complementary.

According to Moore, a public manager should think strategically. The construct of a strategy should be substantively valuable, legitimate and politically sustainable, as well as operationally and administratively feasible (Moore, 1995:71)^{xliii}. This behaviour is defensible because public mandates are never completely specified and because managers' location in government gives them some information advantages over political overseers with regard to where public value lies, and how it can be created^{xliv}. In such context, according to Moore, political management^{xlv} is justified rather than the following of specified outputs/outcomes. From this perspective, principal-agent theory as a support to a contractual approach to the public sector also seems to suffer as a result.

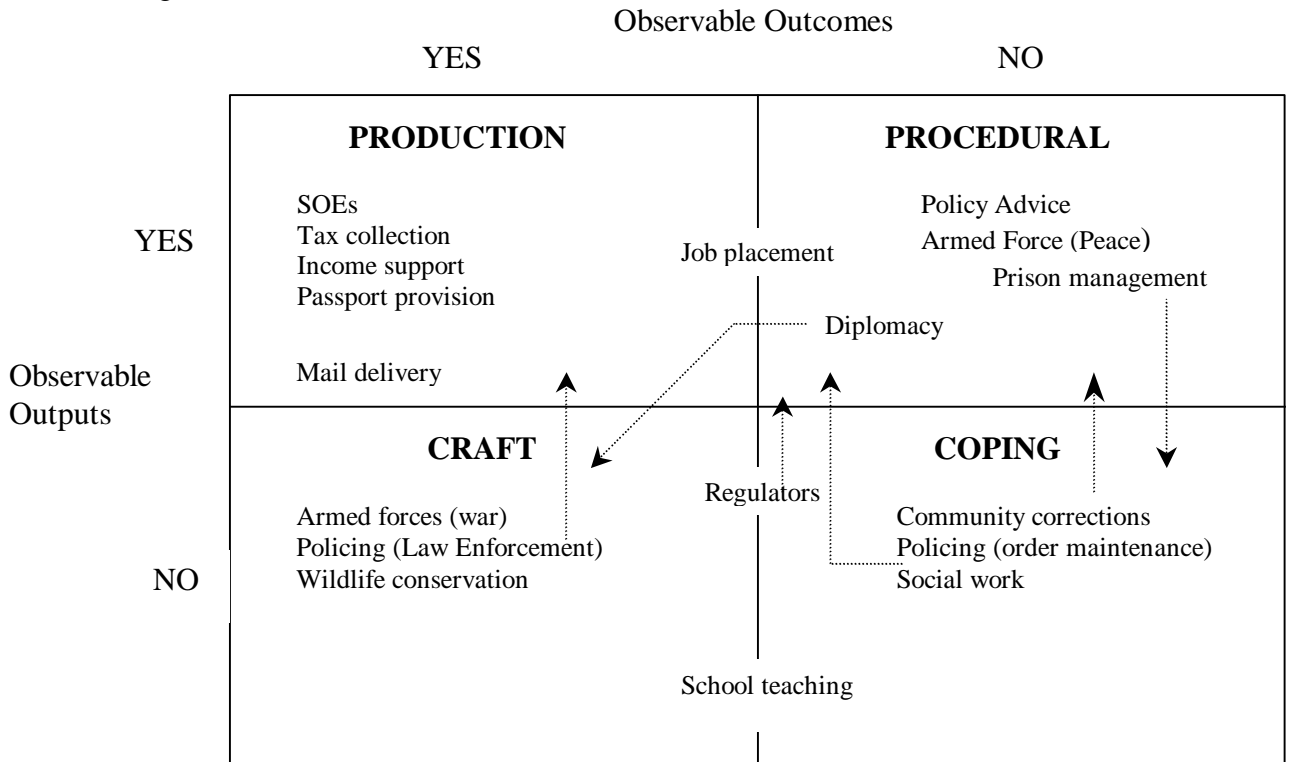
Moore's analysis about the role of public managers has implication on the effectiveness of performance audit. Arguably, from Moore's perspective an after the fact control should focus on values of output/outcomes achievements of a public manager's action

rather than a check of a specified output^{xlvi}. In this vein, program evaluation, cost/benefit analysis and cost/effectiveness analysis should be more adequate tools than other audit performance techniques, as performance information audit and goal attainment.

3.1.4 Problems of performance measurement and output/outcome observability.

A third proviso would be that outputs and outcomes are always measurable or observable. Wilson's (1989) contingency theory demonstrates, however, that bureaucracy is not a monolithic phenomenon. Output and outcome are not always observable (see figure 3 below). In fact, in a singular kind of agency (production), both output and outcome are observable. Procedural agencies may have their outputs observable, but not their outcomes. Craft agencies may have their outcomes observable, but not their outputs. In coping agencies, neither outcomes nor outputs are observable.^{xlvii}

Figure 3. Wilson Matrix



Source: Adapted from Gregory (1995: 58-59)

Having Wilson Matrix in mind, Gregory (1995) makes severe criticisms on the contractual model of New Zealand reform. Relying too heavily on outputs compliance, he argues, that reform may have led to goal displacement, since this exaggerated preoccupation with managerial accountability have occurred at the expense of administrative responsibility, mainly in contexts other than production agencies. As a response, he argues that strong sense of shared mission, commitment to professional norms standards and values, mutual trust and respect should stress particularly craft and coping agencies (Gregory, 1995:62). This subjective responsibility is interpreted here as a public interest ethos, a core value of the Progressive Public Administration philosophy.

Empirical evidence suggests that a performance-orientation exclusively based on a contractual model is not quite adequate for the public sector^{xlviii}. Problems as service “creaming” (Corevellec,1997), over compliance to narrow goals (Schick, 1996:24-26; Hood,

1998:218); and costs of implementation (Thompson, 1993:305) , at the expense of long-run achievements, are claimed to be common.

Such analysis of a contractual model approach to performance-management may be reflected in the way SAIs have been conducting performance audit. In fact, empirical research in the types of performance audit conducted by SAIs has identified that only Finland, New Zealand and Sweden, among the OECD countries, conduct performance information audit (Barzelay, 1997:395)^{xlix}. An explanation for this low commitment of SAIs in pursuing performance information audits may be the difficulties they might be facing in identifying good levels of indicators that would consistently reflect the outputs and outcomes achievements of the auditee's work. Such difficulty may be explained by the own nature of the public sector where, according to Wilson's typology, only in a singular kind of agency, production, both output and outcome are observable.

3.2 The managerial model of performance enhancing responsibility

Schick (1996) provides a critical analysis about the excessive emphasis in the contractual model of New Zealand reform. Outputs and outcomes achievements should be used rather as a managerial tool for improving the process of public policy decision making than for accountability itself, he argues.

From this perspective, the main element of control is an empowered management culture (Roth, 1996:253). In fact, managerial issues are being highly prioritised among SAIs conducting performance audit. In the Dutch Algemene Rekenkamer (Netherlands' SAI), performance audits using good management criteria in 1993-95 are 76 against 29 relying on economy, 4 on efficiency; and 3 on effectiveness (Pollitt et al., 2000:96). The National Audit Office conducts good management performance audit-type in many of its value-for-money studies. This type of performance audit has increased from 28 in 1983-85 to 43 in the period 1993-1995. It is far the most used criteria in NAO's value-for-money studies (Pollitt, et al.

1999:98). Albeit the SAI's own representative institution, INTOSAI, has been stressing that evaluating the three E's is the main reason for a SAI to conduct performance audit, in practice, at least two of these 'Es' (efficiency and effectiveness) have been much less frequently investigated than issues of management practice and procedure (Ibid.103).

Such managerial model is distinct from the contractual model because it relies on agreed "plans," not on "contracts." Since plans are agreed upon principals and agents, their achievements are not linked to reward or sanction, but to a subjective responsibility of public servants to accomplish what was planned. The main idea here is to secure good management practices through Management and Accounting Control systems. In this context, defining the organisation's vision and mission, aligning critical performance variables with the organisation strategy, measuring them adequately and setting standards or targets to accomplish this strategy is essential to achieve success. Success statements, according to Management Accounting and Control doctrines applied to public sector (Kaplan and Norton, 1996; Boyle, 1989) may be summarised as follows:

- 1) Strategy and vision must be clearly translated into objectives and targets and communicated to the different management levels.
- 2) Objectives and targets should be expressed by specific measures, be related to long-term planning, and align initiatives with the allocation of resources and budgeting.
- 3) Aims and objectives should be adjusted to the type of public organisation in terms of particular criteria for efficiency and effectiveness.
- 4) Performance measures should be monitored and evaluated periodically.
- 5) Information should be used in a way to enhance feedback and learning.

Literature and research about public management, as those provided by Wilson (1989), Hood (1998), Moore (1995) and Bardach (1998), would indicate some problems in accomplishing these good management requirements from doctrines of Management, Accounting and Control. Arguably, if mission and objectives equal mandates, in Moore's evaluation, they are always vague; and accordingly to Bardach, they are likely obsolete¹. If targets equal outputs/outcomes, in Wilson's theoretical framework, they are only observable in a specific kind of public agency, namely production. If self-steering and self-organising are aims of a performance orientation, only in an individualistic cultural context would it be fully effective.

From a Management, Accounting and Control doctrinal perspective, budgeting and financial management processes should be tightly aligned with a performance-orientation strategy (Kaplan, and Norton, 1996:248). Studies within public sector budgetary and financial systems have been indicating that integration of such system with audit and evaluation processes should be looked upon with caution. Especially because there is a range of 'functions' that budgeting, audit, and evaluation may perform in different countries (Gray et al., 1993:13).

The changing role of budget offices is to provide three basic budget tasks, namely, aggregate fiscal discipline, allocative efficiency, and technical efficiency (Schick, 1997:5-6). Fiscal discipline means that government should control total spending. Allocative efficiency is reached when managers can allocate resources in accord with government priorities. Technical efficiency relates to the improvement of efficiency in the delivery of public services. These main functions, however, may be in tension. Specially because downsizing the allocation of resources to managers may remove power from the policy-making community as 'the budget office operates at a disadvantage vis-à-vis the spending departments when it aggressively seeks to reallocate resources. It may lack sufficient program

information and political support to do the job' (Schick, 1997:16). In addition, as highlighted in this paper, measuring efficiency and effectiveness through output/outcome is not always feasible. Therefore, funding public agencies from this perspective may lead to ineffective allocation. New Zealand reforms have examples of such inefficiency. In the context of those reforms, cash-based accounting systems not collecting proper information about products costs have led to compliance with narrow goals (Schick 1996:78).

A managerial approach is less rigid about performance measurement than a contractual approach is. Arguably, the information gathered from performance systems is used to give direction rather than to punish or to reward. It is a managerial planning tool rather than a control tool. On the other hand, the contractual model seems to be superior to the pure managerial model in terms of clear accountability assignments to professionals.

Specificities within public service seem to constrain the applicability of both models of control in the public sector as a whole. There are contingencies (Wilson, 1989), systems of knowledge, beliefs, and values (Dent, 1991) in the public sector that imperil the development of pure contractual or managerial models. Therefore, it is claimed that other constructs should be considered as to relax those constraints on implementing a performance-orientation in government, and, accordingly, the accountability and auditability of such.

3.3 Beyond the contractual and managerial pure models

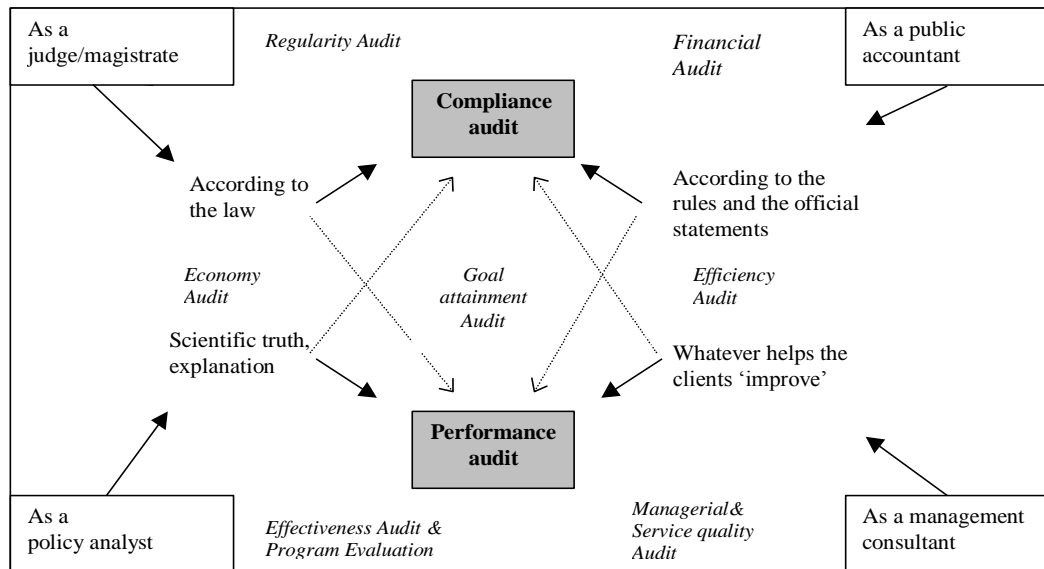
The variety of methods, criteria, and standard setting (Pollitt et al. 1999) of performance audit activities conducted by SAIs might be explained by the multi-biased context in the public sector. A question that might be posed to SAIs, however, is to what extent it is possible to move closer to the auditees' administrative task and make value-judgement about managerial issues and policy outcome without jeopardising the position of guardianship of the proper conduct of those who deal with public money. It includes costs, a shift from an oversight position to a mutual work, and competition.

The distinction between after the fact and before the fact control might blur as performance auditors look to managerial practices inside agencies. Auditors may be, for example, helping public agencies to build a managerial capacity to achieve better results by helping them to design good models of management, or even by specifying, peer-by-peer, reliable performance indicators. NAO's Modernising Government Paper (June, 1999) seems to be looking into that direction. Arguably, the Office has created a team of experts in an attempted to draw a reform in the way government does 'business', focusing on validation of performance measurement, improvement in the way risk is managed, and the like.^{li}

As figure 4 bellow illustrates, the craft of performance auditors puts them sometimes in antagonistic positions. Arguably, as a public accountant or as a judge/magistrate, the performance auditor should be in a high relational distance (Hood et al., 1999: 60), so that independence of the oversight body would not be challenged. On the other side, as management consultants and policy analysts this relational distance tends to decrease, since it is rather a mutual work than an oversight in terms of *comptrol* (Ibid: 45).

Performance audit as a process of regulation inside government seems to be pushing SAIs from an oversight position to a closer relationship with their 'clients'. Mixed models of control (Hood, 1998:235) may be reshaping a SAI's hierarchist ethos stressed on legality and due process to a more egalitarian ethos, privileging a process of a mixed cultural ethos (hierarchist-mutual; hierarchist-competitor), as they should work closer to the entities analysed through performance audit.

Figure 4. Possible roles for performance auditors



Source: Adapted from Pollit et al (2000:106)

—————> Primary concern
> Secondary concern

Performance audit may be shifting to other kinds of control beyond the conventional process of oversight. Hood et al. (1999:48) use the term ‘inspector-free’ controls^{lii} to refer to modalities of regulation inside government that do not resemble the traditional ‘inspector style’ of gathering information from a position of authority. The mixed models of control of oversight with mutuality; and oversight with competition seem to be examples of such shift. A SAI working close to the auditees in setting good management practices seems to enhance control by mutuality. When looking across-sectors to identify good management practices and disseminating and enforcing them, SAIs may be practicing a control by benchmark and competition. This latter practice is well known by the so called regulators of utilities (Baldwin and Cave, 1999:243).

It has been observed that the models analysed here are just ideal ones. Agencies are usually embedded in mixed cultures and multiple-kind tasks. Contracts and managerial efforts are often used simultaneously to improve performance and enhance accountability. For purposes of analysis, however, it is quite useful to identify ideal situations. In this perspective, Wilson’s agency-typology is analysed in its pure model, albeit it is unlikely to find an agency that has tasks embedded only in a pure form.

a) Production agency

In production agencies, all kinds of performance audits are suitable and desirable, since it is possible to observe both outputs and outcomes. Arguably, it should not be so costly to implement a performance information system because the gathering of information is easier. Accordingly, a contractual approach suits this kind of agency better in terms of enhancement of accountability. However, if the cultural bias of such agency is not individualist, problems of compliance may arise. In sum, production agencies in an individualist cultural bias may be the most effective environment for a contractual approach. In other circumstances, a mixed model is desirable.

b) Procedural agency

In procedural agencies, since outcomes are not visible, a performance audit stressing outcomes would be ineffective. A contractual approach could be done in terms of outputs, but not outcomes, respecting the cultural context^{liii}.

c) Craft agency

Craft agencies should be object of program evaluation and program effectiveness audits. A contractual approach should be done envisioning outcome measures, but not outputs. An example is when detectives in a police department are evaluated on the basis of crimes solved (Wilson, 1989:166).

d) Copying agency

In coping agencies, neither outputs nor outcomes are observable. In a pure coping agency, any use of contractual accountability will create an unauditible environment. It lacks measurable and observable output/outcome, essential to the audit process to take place (Power, 1996). A managerial model is the only viable way to enhance performance and secure

a certain degree of performance accountability. In this sense, performance audit should stress the managerial side of such agencies.

3.4 *Beyond the 3E's: towards a new discipline or back to compliance?*

It has been observed that coping and craft agencies are not quite suitable for types of audit stressing output/outcome achievements. It is argued here that if concepts of impact audit and equity audit are put on the scene, models of performance audit might shift even closer to methodologies within policy analysis (Dunn, 1994). It has been argued that a new twenty-first-century 'interdiscipline' combining the best features of audit, evaluation (Leeuw, 1996:59), and management is likely to emerge as regulatory agencies inside the state, in general, and SAIs, specifically, shift from an oversight ethos to a mutual and competition ethos when conducting after-the-fact reviews in the public sector in a performance-oriented perspective.

On the other hand, as much as SAIs express value-judgements about policy-content, they might be more exposed to criticisms, especially in political systems dominated by a strong and insulated policy-maker community, as in the UK.

As impact audit is implemented to assess effects of public programs, policy and organisations, beyond economy, efficiency and effectiveness, constraints on analysing performance of coping and craft agencies might be relaxed. Impacts are the ultimate effects of a project, programme, or policy; they represent the changes in gross and net values, which have been promoted by the implementation of a policy, either alone or in combination with other activities. Impacts can include such abstract notions as quality of life affected by training schemes, crime prevention, and housing programmes (Glynn et al. 1992:56).

If a SAI is prone to conduct equity audit, it should use a criterion according to which an alternative recommendation has resulted in a just or fair distribution of resources in

society. Alternative criteria of social equity include those of Pareto, Kaldor-Hicks, and Rawl (Dunn, 1994:329). This instrument of equity assessment distribution is also used by regulatory agencies in pursuit of social regulation (Prosser, 1997)^{liv}. On the one hand, this would require a more independent SAI that would contribute to social justice, and equity in the distribution of goods in society. On the other hand, a more powerful relationship with clients, such as legislature, executive, and external constituents should be built. These requirements, however, seem to be in tension, because a closer relation to clients may lead to a less independent opinion.

Addressing future direction within reforms in New Zealand Allen Schick (1996: 87) writes: ‘the next steps in New Zealand State sector reform will have to address this larger agenda. They will have to move from management issues to policy objectives, to fostering outcomes, such as social cohesion, that have been enunciated by the Government and are embraced by New Zealanders. They will have to do for outcomes what has been accomplished for outputs. The task ahead is much more difficult than what has been accomplished thus far, but the rewards of success will be even greater’ . This perspective seems to be compatible with the implementation of a more specific type of performance audit conducted by SAIs, relying on ex-post policy analysis issues, such as impacts and equity of programs, policy, and public programmes. SAIs, however, might be more exposed to pressures and criticism, specially from the policy-maker community. On the other hand, society would be able to have access to an expert, professional and independent opinion about public value of government operations.^{lv}

3.5 *Public Management literature challenged ?*

As exposed, there seems to be specificity within the public sector imperilling the implementation of an ideal model of performance management, in general, and performance audit, specifically. It has been demonstrated that a contractual approach emphasises much

accountability at the expense of improvement. In addition, this approach, borrowed from business economics, lacks a coherent theoretical base to be implemented as a public management policy. A managerial approach, therefore, seems to be more adequate, but even here problems are still to be solved, as the integration of financial and budgetary system (Schick, 1996), and vagueness/obsolescence of public mandates (Moore, 1995). As ideal-types models, hybrids or mixed models are possible. Just like in Culture Theory, where mixed models derive from the array of the four “ways of life”. What is to be highlighted here is that improvement in literature is welcome to accommodate these variations.

Research could, for example, find what critical performance variables per kind of agency are, by identifying even more types of agencies than Wilson did. Another claim is that the problems in performance measurement, as those identified by Hatry (1996) when tracking the quality of public service, may be diminished by developing research methods in the field of public management in a performance-oriented perspective.

Corevellec (1997) is an extraordinary example of an empirical study on how the concepts about performance may vary among fields and systems. He reaches the conclusion that performance is better characterised as stories of achievements. In such vein, his conclusion parallels Hood’s conclusion on what factors count on the decision of how-to-get organised. The acceptance factor is identified by Hood as a key that contains such rhetorical power able to convince the relevant audience about the proper way to get organised. That is how, according to Hood, certain doctrines come to be accepted. The Acceptance Factor could be well applied in the field of performance, since the dialectical power of stories of achievement is to be the key to open the lock of what is told as an organisation’s performance.

Power (1996) also indicates a way to improve research in this field. He argues that audit is an active process of “making things auditable.” In such vein, the negotiation of a legitimate and institutionally acceptable knowledge base of measurability and verifiability is

required (Power, 1996:294). Performance audit is a kind of evaluation (Barzelay, 1997). There should be also attempts in the public sector to build a knowledge base about the measurability of performance indicators. Those are just some indications of how research could be designed to build more knowledge about the complex matter of performance accountability in the public sector.

4. Final Remarks

Supreme Audit Institutions increased in importance in many countries as organs of distinctive constitutional position endowed with the necessary independence, expertise, and professionalism to conduct performance audit. Surveyed practices among OECD countries have led to a claim that SAIs seem to be following the doctrine that a SAI embedded in a democratic and market-oriented economy should balance and integrate the pursuit of two types of accountability: compliance accountability and performance accountability. The first type is of high priority because it secures the proper conduct of those who deal with public money. However, this proper conduct does not seem to be enough to reach good and responsible government (Aucoin, 1995). In such vein, performance accountability seeks to fulfil an expectation gap (Power, 1997). The gap between what society expects as good public service and what is practiced. Performance auditors seek to aid government and agents that work for it to create public value (Moore, 1995) when discharging their duties.

In this paper, performance audit was placed as a strand of public management policy and this latter as a main strand of the New Public Management. Such location has permitted to approach performance audit as a field of academic research and argumentation, and professional discussion about management policy interventions within executive government. So defined, the argumentation about performance audit provided here has focused on the political and organisational processes through which policy change takes place. Further, the kernel issue of this paper was to propose that this subject-matter should focus on substantive analysis of public management policy.

The argumentation about the political and organisational processes has led to a claim that performance audit is a process of public management policy change. Configuration of an oversight system mirrors both external (and ‘irresistible’) forces of ideas about accountability

in government, and factors inside the States that might constrain and shape the way a SAI conducts performance audit.

The argumentation about the public management policy stream of performance audit has demonstrated several constraints on the implementation of performance accountability in government. It was claimed that contingencies and cultural bias within the public sector might imperil the implementation of a well-designed system of performance accountability in both models, namely, the contractual model, which enhances accountability and the managerial one, which empowers responsibility. Therefore, it was claimed that literature and research in the field of public management should be improved as to relax constraints on such implementation. Moreover, other types of performance audit, beyond the 3E's, good management practices, goal attainment, and good governance (Pollitt et al. 1999) should be implemented. Doing so, the field of performance audit should get even closer to the field of policy analysis. As the process of audit in government relies on performance and compliance accountability, a new field might emerge as to resolve the antagonism of these two perspectives.

There is a concern that theories in public management arise to help justify what is already true in practice (Peters and Wright 1996:630). This concern could justify the implementation of more analytical and methodological tools to improve research in the field of public management, in general, and performance audit, in particular. These tools should include the normative domain of public management. These authors also claim that there is a lack of coherent theory of public management contrasted to a coherent theory of public administration. The use of analytical tools to research this field in its normative dimension would help to generalise hypothesis and build both theory and policy argument in the field of public management. The former related to indefinite time and type of situation and the latter to specific time and situation (Barzelay, 2000), which is the case of performance audit.

As argued by Nelson (1996), the field of public management as the field of public policy being of diffused method and subjects is more unlikely to create “cumulative knowledge and high theory”. But it does not mean that the ideal of “knowing and transforming the world at the same time” should be abandoned.

Works as the one provided by Schick (1996), surveying practices in the New Zealand public sector, demonstrates the feasibility to reach such aspiration of advocating good management practices and applying cumulative knowledge in the public management domain. Moore’s *Creating Public Value* and Bardach’s *Managerial Craftsmanship* are also good examples of how theories in public management can be generated by locating themselves in such struggle.

It has been argued in this paper that performance audit is an area of study belonging to the field of public management. Recent works in this area (Hood et al., 1999; Pollitt et al., 1999; Barzelay, 1997) demonstrated that it is an increasing ‘industry’ in government. The discussion provided in this paper confirmed that locating performance audit in such dimension is not only a feasible task to be reached but also desirable.

NOTES

i Public management is paralleled here with public policy in the way defined by Dunn as partially a descriptive discipline that “seek knowledge about causes and consequences of public policies” as well as normative, which its additional “aim is the creation and critique of knowledge claims about the value of public policies for past, present, and future generations” (Dunn, 1984:03). Paralleling these approaches, the word management should be placed in between the words public and policy. Public management policies are authoritative means intended to guide, constrain, and motivate the public service as a whole (Barzelay, 2000).

ii Audit and evaluation are, among financial management, civil service and labour relation, procurement, organization and methods, areas of study and intervention within public management policy (Barzelay, 2000:23)

iii Supreme Audit Institution is an international term that refers to public bodies responsible for the external control of public-sector bureaucracies. The Brazilian Tribunal de Contas da União (TCU), the UK National Audit Office (NAO), the French Cour des Comptes , and the US General Accounting Office (GAO) are examples of such institutions.

iv This doctrine seems to be a plausible reasoning of what SAIs surveyed for this paper do. Arguably, not all SAIs carry out performance audit, but most of them do, and increasingly. Reversibly, all SAIs carry out compliance audit.

v Public management policy may be characterised as the main strand within NPM. In this respect, Barzelay (2000:149) writes: ‘ New Public Management (NPM) is primarily concerned with the systematic analysis and management of public management policy. This policy domain relates to all government-wide, centrally managed institutional rules and routines affecting the public management process’.

^{vi} An explanatory argument (Dunn, 1994) is a mode of management policy argument (Barzelay 2000:98) which claims are based on arguments from cause. “Information is carried to claim on the basis of assumptions about the presence of certain generative powers (“causes”) and their results (“effects”) (Dunn, 1994:101).

^{vii} As a normative claim is also the aim of this study, the paper implicitly accepts that public management is a field belonging to the social science disciplines and, therefore, research and argumentation in the field create cumulative knowledge (Cohen, and Lindblom, 1979) and should seek to know and transform the world at the same time (Nelson, 1996:558).

^{viii} Such definition of performance audit contrasts with the definition of regularity audit because the latter emphasizes attestation as a main activity while performance audit embraces more ‘in-depth’ studies about the functioning of the public sector as a whole. Regularity would be related to financial accountability, audit of internal control and internal audit function, audit of the probity and propriety of administrative decisions, and the like.

^{ix} Public policy analysis is a well known tool of planning in the public domain (Friedman, 1987:151); Friedman’s economic model of policy analysis puts this discipline as a supplier of reports and advice to policy makers (1987:139).

^x Sigma-type, Theta-type and Lambda-type are clusters of administrative values in public management that justify an administrative argument. The former stresses efficiency (costs) and effectiveness (outputs/outcomes); the second honesty and fairness; and the latter flexibility and robustness (Hood and Jackson, 1991:12 and Hood, 1991:11).

^{xi} Hood et al. (1999:06) state that much of the rhetoric of NPM stressed the relative importance of performance audit, contrasted with compliance accountability, ‘emphasizing a change from tactical to strategic prescription, direct to indirect command, detailed instruction to freedom with constraints’.

^{xii} Barzelay (1997:392) identifies seven types of performance audits. **Efficiency audit** (identify opportunities to lower budgetary cost of delivering program outputs); **program effectiveness audit** (assess impact of public policies; evaluate program effectiveness); **performance management capacity audit** (assess capacity to achieve generic goals of economy, efficiency, and effectiveness); **performance information audit** (validate/attest to accuracy of information provided by organisations); **risk assessment** (identify major risks of program breakdown and their sources); **best practice review** (formulate sector-specific standards of best practice; reveal relative performance of sector participants); **general management review** (assess capacity of organisation to deliver upon its mission and policy mandates). The first four cited are considered main types of performance audit, according to the author. Albeit he does not say explicitly how he has reached such conclusion, a reasonable guess would be that it is because the other types are less practiced by SAIs.

^{xiii} A North American version of the term New Public Management can be found in the world well-known Osborn and Gaebler's 'Reinventing Government' (1992). Barzelay's *Breaking Through Bureaucracy* (1992) coins the term post-bureaucratic paradigm to contrast it with the previous bureaucratic paradigm .

^{xiv} Hood coined the term New Public Management in his seminal article 'A Public Management for All Seasons?' (1991). The term Progressive Public Administration was introduced by Hood's paper 'Key for Locks in Public Administration' (1994) as well as by his book 'Explaining Policy Reversal' (chapter 07) to designate and contrast the 'progressive climate' of ideas within public administration that used to 'reign' before the rise of the New Public Management ideas in the early 1980's and 90's.

^{xv} For a discussion of the 'package' of doctrines within these administrative philosophies see (Hood and Jackson, 1991:chapter 8). And (Hood, 1994: Chapter 7).

^{xvi} Hood and Jackson 1991 looked at the field of public management as a dialectical science in which a proposal of adoption of certain types of doctrines, among the competing bulk of administrative arguments, come to be accepted if the argument that supports this proposal is backed by such rhetorical power strong enough to convince the relevant audience. In this vein, the rise or the dominance in the climate of opinion of an Administrative Philosophy is better explained if the rhetorical power and persuasiveness of an administrative argument is analysed. In short, the acceptance factor.

^{xvii} According to Kingdon (1984), agenda setting determines which issues or problems are dealt with by decision-makers; alternative specification determines which solutions they consider when a decision is to be made.

^{xviii} NPM was launched by Margareth Thatcher's government in 1979.

^{xix} Aucoin (1990) identifies Peters' and Waltermann's book 'In search of Excellence' (1982) as a best example, and clearly 'the most influential' literature that introduced managerial ideas in the Public Sector. On the public policy side, he identifies Niskanen's work 'Representative Government and Bureaucracy', which best 'represents the spirit of this set of ideas' (public choice).

^{xx} Aucoin (1990) identifies paradoxes between public choice and managerialism. Such paradoxes, however, seem to be less important as NPM is analysed empirically.

^{xxi} What might be implicit in this discussion is the assumption that a public administration is embedded in the societal culture it derives from. Therefore, political culture and administrative culture should be object of study if administrative phenomena in the public sector are to be understood. For a discussion of the relationship among political culture, administrative culture, societal culture, and public administration see Peter (1995:chapter two).

^{xxii} The NAO Value for Money (VFM) studies do not include program evaluation and judgements about policy content.

^{xxiii} At this stage, the conception that public administration is an integral part of the political system is being accepted. Therefore, analysis of public administration is amenable to much the same type of analysis as comparative politics in general. (Peter, G, 1995:03).

^{xxiv} This argument is considered mostly in countries that have been reshaping their bureaucracies to a more ‘business-like’ mentality. Some other more legalistic countries (Germany and France, for instance), however, have also adopted such perspective.

^{xxv} This point looks crucial for a SAI’s position, since it may influence or not the policy-making processes. In other words, if the dichotomy policy/administration blurs or does not as SAIs conduct performance audit.

^{xxvi} Concerning the organisation of NAO, the UK is a much-personalised model of external control. Powers have been vested in an individual General Comptroller from the top civil service assisted by an office appointed by him. Legal responsibility is vested in him alone. Decisions on what is going to be audited relies on him alone (with some interference from the PAC). He is also responsible for reporting findings to the Public Accounting Committee himself. This form of organisation reflects the highly personalised traditions of government in the UK.

^{xxvii} The British Civil Service recruitment system is still biased by a majority of successful candidates from Oxford and Cambridge Universities.

^{xxviii} To be a mandarin in the British policy community, the stages are summarised as follow: Stage 1: administration trainee; Stage 2: After two years the best AOs are ‘fast-streamed’ and are promoted to Higher Executive Officer (A). The difference between an HEO(A) and other HEOs is not simply – or even mainly – the difference between glamour

and routine: it represents the decisive division within the Administration Group between the policy-making ‘elite’ and the policy-implementing mass. Stage three: Principal of an office; Stage four: assistant secretary; Stage five: Open structure.

xxix According to Dunn (1994:133) warrant is part of an argument that states the assumption, principle, or supplementary argument used to certify that a claim (conclusion) is plausibly true, given the information supplied. Barzelay (2000:98) states that the ‘claims of the theory (T) are drawn from some set of warrants or other considerations through a process of practical argumentation’. According to Walton (1992:172), an inference works because a warrant, which is characteristically a general or complex (often conditional) proposition, is applied to another proposition in order to extract the proposition that functions as the conclusion of the inference.

xxx General management including Performance Management, Strategic Management and Management Accounting and Control System.

xxxi An evaluative claim is ‘a contestable policy claim that provides reasons and evidence for believing that some means are right or that some end is good (Dunn, 1994:131).

xxxii For a discussion about argumentation within New Public Management see Barzelay (2000: Chapters 4-6)

xxxiii MAN means schools of thought about management; K_G means empirical knowledge about a government’s processes and institutions (Barzelay, 2000:154). NIE stands for New Institution Economics and PMAN means scholarly literature about public management theory.

xxxiv It is worth noting that even countries that have been avoiding some ideas within NPM (such as France, the Netherlands, Finland and Germany) are adopting certain types of performance audit (See Barzelay, 1997:395 and Pollitt et al., 1999). For the German Federal

Court of Audit experience on performance audit, including FCA's advisory and pro-active role in government decisions see Zavelberg, G, 1997. Contrary wise, in New Zealand, a benchmark NPM case, the Office of the Auditor General does not conduct some types of performance audit, as program effectiveness audits (Barzelay, 1997:398)

^{xxxv} Explanatory argument (Dunn, 1984) is a mode of management policy argument (Barzelay 2000:98) which claims are based on arguments from cause. "Information is carried to claim on the basis of assumptions about the presence of certain generative powers ("causes") and their results ("effects") (Dunn, 1994:101).

^{xxxvi} A performance-orientated system is considered well designed when good management practices of planning, targeting, aligning resource allocation, and strategic initiatives, and budgeting are respected.

^{xxxvii} As will it be seen later, not all types of performance audit are conducted by some SAIs. Explanation for variations can be found in Barzelay, 1997:394-398 and Pollitt et al. 1999:213-219.

^{xxxviii} An analysis about attempts to use Principal-agent theory to explain real-world behaviour may be found in Arrow (1985). He reaches a conclusion that Principal-agent explanatory power is relatively weak to explain behaviour.

^{xxxix} Aucoin argues that "chief executives are responsible to ministers for the performance of their departments in providing the outputs that minister purchase thorough an explicit contractual arrangement that binds ministers and chief executives and is transparent in the annual budgetary and parliamentary appropriations process". (Aucoin, 1995:226)

^{xl} Moore's analysis is mainly related to the US context. However, a plausible presumption for this argumentation is that public service is inherently moved to create public value, as a

private organisation is mainly moved to create profit, at least in democratic and market-oriented countries.

^{xli} An OECD paper negatively evaluates the impacts of performance pay schemes for public sector managers. It states that, in relation to another survey done in 1993, the mentality of public managers have changed about these payment schemes: From an initial euphoria to disenchantment. The article goes: ‘ performance pay appears to be mismatched to the values and preferred work conditions of many public sector managers... PRP schemes may not be a good fit with the cultures of many public sector agencies.’ (OECD,1997:42-43)

^{xlii} Barzelay rejects this assumption.

^{xliii} Barzelay (unpublished paper) links Moore’s strategy to policy analysis, political analysis and administrative and operations analysis. The former refers to substance of a strategy; the second refers to the political authorizing environment to which a strategy is ‘ultimately accountable’ (Moore, 1995:71); and the latter refers to the feasibility of accomplishment by the ‘existing organization with help from other who can be induced to contribute to the organization’s goal’ (Ibid.)

^{xliv} Informational asymmetry is a core justification for a contractual approach within a principal-agency relationship.

^{xlvi} Moore identifies five different approaches to political management, including entrepreneurial advocacy, the management of policy development, negotiation, public deliberation and leadership, and public sector marketing (Moore, 1995:151-189).

^{xlvii} Moore (35) writes: ‘Yet I see an important conceptual distinction among the techniques and would argue that for most public purposes, program evaluation and cost-effectiveness analysis are the conceptually as well as practically superior approaches’.

xlvi Empirical evidence among OECD countries indicate some difficulties in determining levels of output and outcome in the Public Sector. An OECD publication states that: ‘Responding to these views requires a strong push on improving performance measurement, so that the benefits in improved performance which can be achieved from the reforms are demonstrated, as far as possible. But at the same time, *the inherent complexities and limitations of performance measurement in the public sector must be recognised*, so that performance information is used in an appropriate and positive way’ (OECD Performance Management in Government, No 3 1994:92)

xlvi Boyle (1989:66-71) makes a distinction between performance monitoring systems in areas of high task uncertainty and low task uncertainty. In the former, targets should be concerned with process, focus on monitoring environmental factors, quantitative monitoring of efficiency and qualitative monitoring of effectiveness, feedback by peer group. The latter should be concerned with outputs/outcomes, focus on monitoring achievement against plan, quantitative monitoring of efficiency and effectiveness, and feedback by hierarchical review.

xlvi The author explains this low frequency as follow: ‘ the explanation seems to be that performance information audits are conducted where governments have made doctrinal commitments to results-oriented public management and are in the process of building systems and procedures for oversight and budgeting that are rationalized by this idea (Sweden)’. (Barzelay, 1997:396).

¹Underpinning his claim for interagency collaboration, Bardach (1998:11) identifies two main problems that might contribute to loss of public value, namely, pluralism and obsolescence. The former is related to political and institutional pressures that push agencies for “differentiation rather than integration.” The latter is related to the lack of dynamism and flexibility of public agencies in addition to the fact that technical basis for differentiation may

blur over time. Arguably, the mission so defined when agencies are created may not respond to “changes in the nature of problems and the availability of solutions- or perhaps changes in our understanding if not necessarily in the realities- make the older pattern of differentiation obsolete”.

^{li} Glynn (1992:68) argues that ‘the role of audit for the NAO needs to be explicated and understood before criticising it. Certainly, as in other countries, the NAO’s audit role is a scrutinising one, a critical element in the discharge of accountability. But, in VFM audit it quite clear has an additional role, that of encouraging and promoting good management’.

^{lii} Regulating inside government requires three essential methods: setting standards (a ‘director’), gathering information (a ‘detector’) and modifying behaviour (an ‘effector’) (Dunsire, 1978: 59). The oversight process is necessarily exercised from a position of authority. On the other hand, competition, mutuality and contrived randomness does not necessarily need a ‘physical’ inspector, and, therefore, are considered ‘inspector-free’ methods of control. (Hood et al., 1999: 48).

^{liii} At this stage, it is worth noting that a cultural bias may be affected by external contingencies. An example is the increasing number of top civil service appointments in Britain that are now publicly advertised and filled by ‘outsiders’.

^{liv} In reference to regulation of utilities, Prosser argues that the legislative mandate for regulation would appear to place highest priority on social regulation and regulating monopoly; regulation for competition has only a secondary role.

^{lv} Power (1997) argues that the administrative attraction of auditing the financial inputs of public services and of defining value for money narrowly in term of ‘cost-effectiveness’ is precisely that the technical and political complexity of defining and measuring outcomes is avoided. Even where problems of outcome definition for complex services can be resolved,

the proper use of such measures may indicate and reveal social and economic sub-systems in decline.

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