

**Beyond a Deficit-Based Approach:
Public Sector Audit as a Transformative
Mechanism for Positive Change**

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Abstract

Beyond a Deficit-based Approach: Public Sector Audit as a Transformative Mechanism for Positive Change

Public service operates in an accountability environment, characterised by complex relationships among auditors, auditees, and stakeholders. Public sector audit provides important information to stakeholders, but it is not always so effective in transforming and improving management. This research explores audit's potential to become an instrument for positive change, by addressing a knowledge-gap about intrapersonal, interpersonal, and interorganisational characteristics that would inhibit or facilitate such a paradigm shift. It found that audit has the capacity and potential to move beyond a purely deficit-based role, to positively promote improvements and collaborative learning between institutions and stakeholders. The studies obtained data from semi-structured interviews, survey questionnaires, and documents from 13 Supreme Audit Institutions in the period 2015-2017. The first study presents a unique competency model for performance auditors, identifying citizenship, creativity, and the love of learning, as distinctive competencies, congruent with a positive audit approach. The second study explores the auditor's view of the auditor-auditee relationship using role theory and identifies distinct psychological assets used by auditors: independence, competence, positive personal attributes, collaboration, fairness, and positive change; the latter two forming scale constructs to measure adaptive relational attitudes. The third study evaluates the effectiveness of cognitive-based training in influencing auditors' attitudes to audit relationships. The final study identifies three critical factors influencing interorganisational learning in an accountability context: organisations' absorptive and teaching capacity; dynamic interorganisational processes, and the commitment, knowledge, and ability of staff. This thesis provides new insights into applying psychological theories on relationships in a public sector audit setting. It addresses practical issues affecting the recruitment and selection of staff and the design of better audit processes. It concludes that public sector audit already possesses the theoretical and practical attributes to become a proactive, collaborative, participatory activity. Thus, by expanding its role, it can be a dynamic, transformative instrument for positive change.

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List of Abbreviations

| | |
|---------|--|
| EC | European Commission |
| ECA | European Court of Auditors |
| ERP | Empirical Research Project |
| EU | European Union |
| IFAC | International Federation of Accountants |
| INTOSAI | International Organisation of Supreme Audit Institutions |
| IO | Interorganisational |
| IOL | Interorganisational Learning |
| IOR | Interorganisational Relations |
| KSA | Knowledge, Skills and Attitudes |
| NPG | New Public Governance |
| NPM | New Public Management |
| OL | Organisational Learning |
| PA | Performance Audit |
| PAC | Performance Auditors' Competencies |
| PAR | Performance Audit Relationships |
| PCA | Principal Component Analysis |
| PM | Performance Management |
| PPA | Positive Personal Attributes |
| REM | Role Episode Model |
| SAI | Supreme Audit Institution |
| SE | Subject Experts |
| VFM | Value-for-Money |

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Chapter 1 : Prologue

Practitioner-led psychological research allows us to question the theories, practices, and motivations underpinning our understanding of work-related phenomena. One such phenomenon is the auditor-auditee relationship. While research has mainly focused on private sector auditors, their public counterparts face similar challenges concerning their effectiveness. Moreover, they must navigate the complex relationships between the state, the market, and social society. These relationships form an interwoven administrative, political, and economic accountability environment (Benington, 2000). While public sector auditors extensively scrutinise this environment (Hartley & Skelcher, 2008), their activities are not considered to constitute an effective, transforming mechanism for improvement (De Bondt, 2014; Stephenson, 2015). Therefore, there is a gap in performance potential that needs to be explored, one which is addressed by this thesis.

In exploring the subject, I was drawn to the many commonalities between occupational psychology and auditing. Both use the scientific method to create knowledge, satisfy curiosity, and seek rewards. Both generally adopt a critical, deficit-based approach to initiating change. However, in the last decade, positive psychology theorists and practitioners have developed a new psychological vista, moving psychology from the path of pathology and dysfunctionality, to explore life-affirming strengths and endeavours (Seligman, 2004). This, therefore, raises the question: Can and should auditing also seek to promote change through positive, strengths-based, collaborative engagement and learning?

This thesis examines the role of performance (or value-for-money) audit, the perceptions and competencies of its auditors, and the potential for interorganisational learning from a psychological perspective. In this original research, I question the accepted wisdom of viewing audit solely as a control mechanism. By empirically analysing performance audit from different perspectives, through a variety of studies, I explore the role of public sector audit through the eyes of its practitioners. The research builds on theories and concepts from social, positive, individual differences, and organisational psychology, to investigate and consider the central question:

Can public sector auditing move beyond a deficit-based approach to become a more effective and transformative mechanism for change?

I argue that, if public sector auditing is to remain relevant and responsive to stakeholders and practitioners' needs, it must *re-purpose* its accountability role. Therefore, it has a responsibility and the capacity and opportunities to reorient audit from a pathology of *naming-and-shaming* so that it can be an instrument of dynamic and positive change.

In this chapter, I present the theoretical orientation and the boundaries defining the research and the nature and purpose of each of the four studies. I describe the collaborating organisation that facilitated the research and the ethical framework under which the research was conducted. Lastly, I consider the research from a practitioner, developmental perspective.

Theoretical Rationale

In professional doctoral research, the scientist-practitioner addresses issues significant to the collaborating organisation and the profession. The theoretical approach must be congruous to the phenomenon and context studied and adhere to sound pragmatic science, combining relevance with rigour (Anderson, Herriot, & Hodgkinson, 2001). Accordingly, this research adopted a post-positivist multi-paradigmatic approach, acknowledging the possibility of many perspectives and the relational aspect of knowledge (Burrell & Morgan, 1979). Although the studies drew from social psychological theory, two of the studies (the competency model and the relational scale) were based largely on individual difference theory, and drew their principal data from self-reports of participants. The paradigms of positive psychology and the positive current approach to management (Sułkowski, 2017) were used to guide the research. These theoretical lenses, which promote cooperation and well-being in organisations (Fredrickson, 2003; Peterson & Seligman, 2003), and which cultivate positive and open attitudes in management processes (Bagozzi, 2003; Baker, Cross, & Wooten, 2003), facilitated examining the transformative characteristics and potential of the subject matter.

It could be argued that the above epistemological choices risk presenting a restricted and “air-brushed” view of what can be perceived as the negative and critical profession of audit. However, adopting such a theoretical approach was necessary to “pull away from the gravitational attraction” of the “traditional” realist-positivist paradigm of business. A

second important consideration when adopting this theoretical approach was the relative immaturity of positive psychology, whose research is largely derived from *WEIRD* participants - Western, Educated, Industrialised, Rich and Democratic (Henrich, Heine, & Norenzayan, 2010). While there is a general presumption that such results can be generalised across cultures, care is needed when interpreting their applicability to non-WEIRD populations, as discussed in the individual chapters.

Research Boundaries

The research boundaries were determined by the specificity of the subject matter, the type of population examined, the characteristics of the participants, and the nature of the phenomena examined. Public performance audit (PA) was chosen due to its focus on positive change. It assesses whether the audited entities have been *economical* (i.e., minimised the costs of resources), *efficient* (i.e., achieved the best relationship between resources used and results achieved), and *effective* (i.e., reached or exceeded goals set) in their management. In doing so, it identifies opportunities and makes recommendations for improving policies, programmes and management systems (Lonsdale & Bechberger, 2011). Thus, its role is like that of evaluation, but falling somewhere between public accounting and management consulting (Lonsdale, Wilkins, & Ling, 2011; Reichborn-Kjennerud, 2014). While PA is practised by different branches of audit (external, internal, private, and local government auditors), only Supreme Audit Institutions (SAI) were included in the research, for three reasons. First, internal audit forms part of an organisation's internal management control framework. Thus, its accountability and change management function is different from external audit. Second, local government auditors are a heterogeneous group, without an organisation such as the Organisation of Supreme Audit Institutions (INTOSAI), which sets auditing standards and develops audit capacity. Third, accessing data from such a diverse range of auditors would have been extremely difficult, in the context of this research. Therefore, the participants, who were surveyed in the period 2016-2017, were PA practitioners in SAIs from the following countries: Australia, Austria, Canada, Denmark, Finland, Lithuania, the Netherlands, New Zealand, Norway, South Africa, Sweden, the UK, and the European Court of Auditors (ECA).

The research took the sole perspective of the auditor and did not include auditees and stakeholders' views, as the intention was to focus on the competencies and behaviours of

performance auditors as professionals. Although a broader scope might have provided an interesting counterbalance, research findings on auditees' perceptions of PA have been mixed (Raudla, Taro, Agu, & Douglas, 2015), due perhaps to their more varied experiences than auditors. Furthermore, although teams play an essential role in auditing and are often considered more crucial to performance than individual competencies of team members (Belbin, 2012), the research did not focus on team-functioning, as it would have constituted significant additional research. Instead, it took a social psychological approach, using the role episode model (Katz & Kahn, 1978) as the natural first step in exploring the relationship. It then applied the psychology of individual differences to focus on auditors' specific attributes, including intra-team collaboration and team-building.

Collaborating Organisations

The principal collaborating organisation was the European Court of Auditors, an institution of the European Union (EU) based in Luxembourg, and established in 1977 as the independent external auditor of the EU. Its principal goal is to contribute to improving the financial management of the European Budget (approximately €150 billion annually), by auditing the European Commission (EC: the Executive institution) based in Brussels, and the actions of the 28 Member States in implementing the budget. This organisation was selected owing to its experience in PA. The research was not intended to be EU-centric but instead addresses the broader international community of performance auditors, numbering many thousands. However, where relevant, the thesis considers organisational specificities in the individual studies.

Studies in the Thesis

This thesis consists of four separate yet related studies on the personal, interpersonal, and organisational factors relating to the research question. The order of presentation reflects the logic of the research story as it moves from the intrapersonal attributes of performance auditors to the interpersonal characteristics of the auditor-auditee relationship and, finally, the potential of interorganisational collaborative interactions in an accountability context. To present a comprehensive yet distinct landscape of auditor-auditee interrelations, an overlap between the thesis components occurs as it moves between these domains of analysis (Sapford, 2002). However, to avoid unnecessary

repetition, the characteristics of the research context are explained when they first arise. Thus, for completeness, the thesis should be read as a single volume. Figure 1.1 depicts how each component deals with different aspects of the audit relationship.

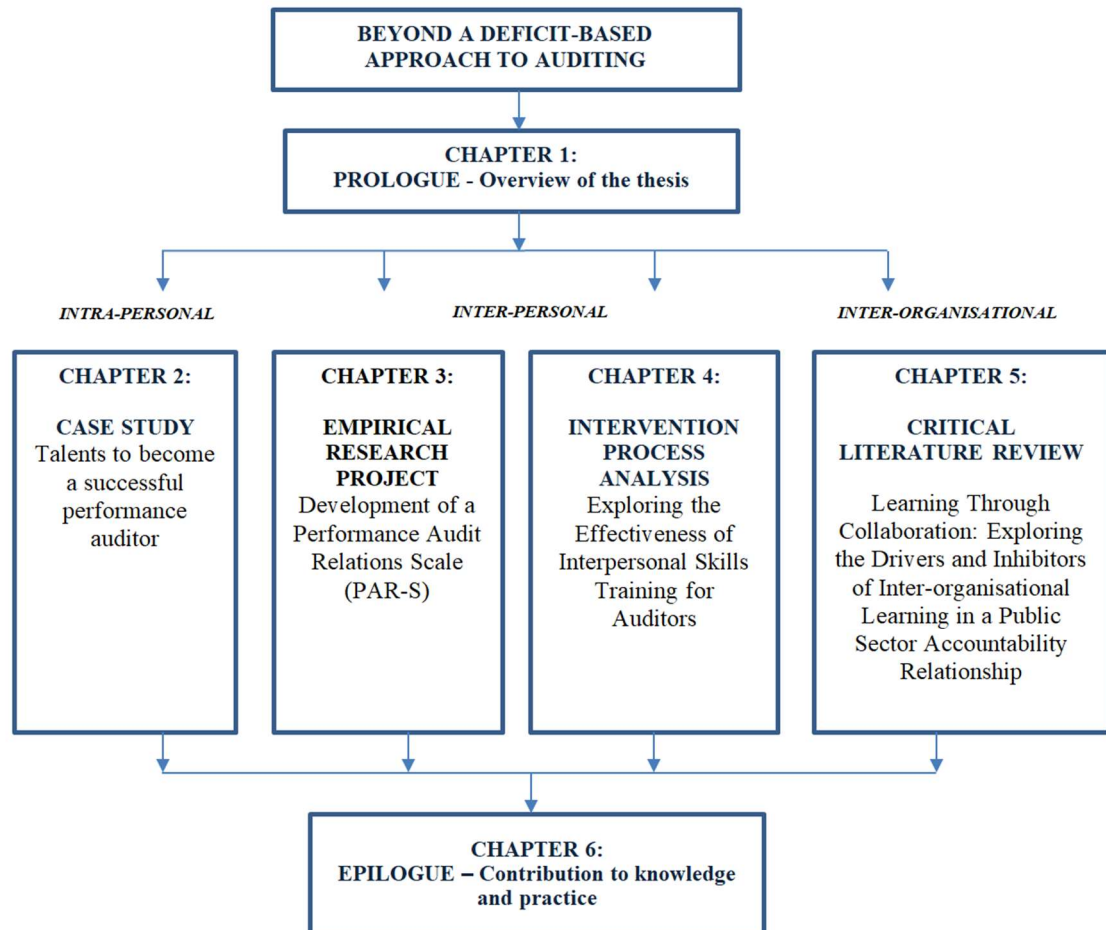


Figure 1.1. Interrelationships among the Components.

Chapter 2 presents a case-study on the knowledge, skills and attitudes (KSA) of performance auditors. It contributes to a knowledge-gap by developing a unique model of auditors' intrapersonal attributes, from a positive psychological perspective. Recent empirical research has highlighted a lack of knowledge about auditors' experiences when dealing with clients (Guénin-Paracini, Malsch, & Tremblay, 2015). Therefore, **Chapter 3**, the main empirical study, presents new research on auditor relations, consisting of a thematic study of interpersonal auditor-auditee relations, and a quantitative study, presenting a psychometric model of adaptive auditor behaviour. **Chapter 4** explores the potential to change attitudes towards establishing a positive auditing relationship by

presenting an action research study evaluating a cognitive psychology-based intervention to influence auditors' attitudes. Finally, **Chapter 5** examines interorganisational aspects in a critical literature review on the factors affecting interorganisational learning in an accountability relationship. The **Epilogue** then concludes by summarising the study's findings and reflecting on the outcomes and possible future steps.

Ethics

The university's ethics committee approved the research, which also met the requirements of the British Psychological Society on data protection and ethics (2009a, 2009b, 2014). Participants were informed of the goal of the study, the voluntary aspect of their participation, and the conditions of anonymity (where applicable), along with confidentiality regarding their involvement and data.

Practitioner Rationale and Objectives

As both an auditor and psychologist, I appreciated the need for greater understanding of relationships in PA practice. I reflected on my values, motivations, and biases when justifying the research questions and the conclusions reached. I questioned whether the thesis' proposition was a reaction to a personal dissonance with the critical, conflictual nature of audit, which perhaps motivated my goal to consolidate knowledge, understanding, and perspectives from my interdisciplinary background. Completing a foundation course in *appreciative enquiry* (Cooperrider, Whitney, & Stavros, 2003), the solutions-focused approach to change management, also led me to question whether audit's critical deficit-orientation, contributed sufficiently and most effectively to positive change and improvements.

In conducting the research, I considered the explanatory power of paradigms other than realist and post-positivist, such as economic theory, critical social psychology, and psychoanalytics for the subjects been analysed. These encapsulate many mature theories and concepts relevant to organisational relationships, dealing with power, conflict, politics, leadership, and organisational culture (Pheiffer, Griffiths, & Andrew, 2006). For example, interpretative and critical psychology theorists argue that public sector auditors' identities are imbued with investigatory, conflict elements, where the audit bodies wield legal and administrative power over their auditees (Power, 1999). The influence of power is

considered in its many guises throughout the studies presented here: audit as a value-laden activity. However, in support of a transformative agenda, I argue in this thesis that theoretical and professional interpretations of public sector audit need not be defined by conflictual interactions and the exercise of power.

In undertaking this programme, I set out to seek answers to questions and to develop research skills, such as critical thinking, academic writing, and improved research methods. I adopted an evidence-based approach by selecting the broadest and best data to produce knowledge, “useful” to audit practitioners and researchers (Briner, Denyer, & Rousseau, 2009). The studies presented here have contributed to developing professional training pathways, specialist training interventions, and have been presented at conferences, and have been submitted for publication in peer-reviewed academic journals. I look forward to the different perspectives and models presented here motivating audit practitioners and researchers to look beyond the existing norms of public sector audit theory and practice.

Chapter 2: Competency Framework for Performance Auditors

This study addresses a gap in literature and practice by identifying the specific competencies that equip performance auditors to carry out their job effectively. That is, asking the right questions, establishing the facts, drafting balanced reports, and making value-adding recommendations. However, the concept and practice of audit is not universally defined and is mediated by cultural, administrative, political, and interrelational factors. Therefore, auditors' competencies need to be better defined and understood, particularly in public sector audit, which is intended to protect citizens' interests. In developing a competency model for performance auditors, this study aimed to explore the congruency of the competencies, with a positive approach to audit, consistent with the proposition underlying this thesis. This chapter starts by reviewing the theories underlying competency modelling, and the extant literature on audit competencies. It then presents the research performed, the results obtained, and concludes by discussing the competency model and the opportunities for further investigation.

Competency Modelling Remains Valuable Despite its Shortcomings

Competency modelling suffers from a lack of conceptual clarity. The positivist paradigm underpinning its psychological theories is derived from the concept of person-environment fit (Kristof-Brown & Guay, 2011). That is, some jobs are demonstrably more suited to some individuals, and a conceptual basis and language exist for aligning the two (Holland, 1973, 1985; Pervin, 1989). Theoretically, competency modelling has followed multiple parallel domains, such as individual differences, job-analysis research, educational psychology, leadership research, and multiple intelligences, among others. In addition, it has established itself as a better predictor of occupational success than academic aptitude, knowledge, and IQ (McClelland, 1973; Skorková, 2016). However, for several reasons, the concept of competency is considered unhelpful, confused, and ill-defined (Diaz-Fernandez, Lopez-Cabrales, & Valle-Cabrera, 2014; Furnham, 2000, 2000a, 2008).

European and North American academics have, over the years, disagreed on what the term *competency* should measure. Is it minimum competence: “the set of behaviour

patterns that the incumbent needs to bring to a position to perform its tasks and functions with competence” (Woodruffe, 1993, p. 29), or one’s ability and potential above the average performer? (Boyatzis, 1993, 2008). As such, measurable competencies should indicate suitability for a job, and also predict future performance (Hogan & Holland, 2003; Shippmann et al., 2000). This capacity to predict future performance is questionable, however, given the tenuous connection between dispositions and outcomes (Mintzberg, 2004), as indicated by a weak correlation between personality traits and job performance (Kuncel, Ones, & Sackett, 2010). Second, competencies on their own tell us little of how they are acquired, their degree, and duration of possession (Mansfield, 1999), levels of self-efficacy (Bandura, 1991, 2012), and whether they decay if not practised (Furnham, 2000a).

A further conceptual challenge is the perspective from which behaviours and competencies are defined and whose interests they serve - staff or management. Competency research is often criticised for using evaluative criteria based on managerial objectives, instead of a 360-degree performance assessment that would incorporate staff members’ perspectives (James, 2001). Its functionalist perspective assumes that individuals share unitary motives, interests, and power (Finch-Lees, Mabey, & Liefoghe, 2005). Naturally, these characteristics lead radical structuralists to accuse organisations of propagating “quasi-scientific and universally applicable/beneficial forms of corporate knowledge” models (Finch-Lees et al., 2005, p. 24), which, it is argued, mask a powerful “quasi-religious discourse” (p. 3) used to subjectivise employees. While companies’ corporate strategic interests continue to drive human resource policies, Chamorro-Premuzic (2017) argues that staff can still exercise agency as “talented individuals select the work environments that turn their typical dispositions and behavioural tendencies into effective career enhancers” (p. 53). He proposes four principles of talent: the “rule of the vital few” or Pareto effect (p. 36); the maximum performance rule of effort under optimal conditions; talent as effortless performance, and “personality in the right place” rule (p. 49). However, despite its contemporary appeal, the concept of talent still lacks a theoretical framework and consistent definitions (Al Ariss, Cascio, & Paauwe, 2014; Scullion, Collings, & Caligiuri, 2010). Moreover, it still requires a matching of work requirements with the dispositions and attributes of prospective jobholders. In recent years, to partially address these deficits, theorists have extended the definition of competency to include a plethora of mediating factors, including motivations, self-efficacy,

environment, and job relationships (Delamare Le Deist & Winterton, 2005). Nonetheless, despite the broad church of theoretical underpinnings, from behavioural, cognitive, social (Neff, Niessen, Sonnentag, & Unger, 2013), and organisational psychology (Salaman, 2011), the absence of a unified explanatory theory still exists. Notwithstanding these conceptual challenges, how competencies are applied also presents some challenges.

Competencies need to reflect the needs and constraints of organisations and staff so that recruitment and training do not become de-coupled from organisational strategies and operational realities. Thus, in classifying competencies as generally or explicitly applying to given work situations (Hamel & Prahalad, 1994), care is needed that such uniformity does not undermine the ecological validity of the constructs (Gillies & Howard, 2007), by reducing competencies to narrow skill-sets, thus disregarding the reality of the working environment (Bolden & Gosling, 2006; Bell, Taylor, & Thorpe, 2002). Therefore, rather than striving for increased levels of abstraction, a more holistic, pragmatic approach would better reflect the personal and transferable qualities of individuals, and how they align with their occupational roles (Delamare Le Deist & Winterton, 2005). I suggest that the theoretical and practical strengths of competency modelling stem from its evidence-based approach to defining behavioural work patterns and associated knowledge, skills and attitudes (Briner, 2000). Therefore, by analysing those behaviours using statistical analysis, one can determine the KSAs needed for job performance. For the purposes of the research, the minimum competence definition was adopted, rather than the performance-forecasting model, due to the multi-organisational unit of analysis and contextual mediating factors. Accordingly, competencies are considered as orientations rather than precision instruments for selecting and training staff, which constitute a unique, though perhaps not a universal, interpretation of performance auditors' competencies.

Auditing is primarily an analytical endeavour where auditors engage in a "knowledge creation process" (Oubrich, 2011, p. 98), not only as "passive producers of intelligence artefacts", but by "improvising around a specific topic" (Hoppe, 2013, pp. 64-65). Previous research has focused on cognitive attributes required for such analysis, such as expert decision-making and thinking skills (Abdolmohammadi & Shanteau, 1992), and pattern recognition, problem-solving, and research skills (Abdolmohammadi, Searfoss, & Shanteau, 2004). Having professional integrity and a questioning mind are also accepted as salient attributes of auditors (Siriwardane, Hoi Hu, & Low, 2014). However, integrity is not merely about consistency and rational decision-making, it is also about taking

responsibility for the meaning and consequences of one's actions, including relationships (Robinson, 2016), and along with ability and benevolence, is an antecedent to trust and the psychological contract (Rousseau & McClean Parks, 1993). More recent studies, however, have broadened the focus, highlighting the need for heightened social skills, such as client interaction and professional attitudes, which accountants consider as antecedents of high-quality audit (Chartered Association of Certified Accountants [ACCA], 2016). (See a comparative analysis in Appendix A). Nevertheless, little psychological empirical research exists on the competencies of performance auditors specifically, despite the specialist nature of the professional activity, the dearth of academic and professional courses on this subject, and the growing demand for such audit work. This study attended to this lacuna by considering the research question: what are the specific knowledge, skills, and attitudes forming a distinctive competency model for performance auditors?

Conceptual Framework

The study adopted the scientific method in conceptualising the research problem and took a post-positivist theoretical perspective in defining and addressing the research question. It assumed that competencies were hypothetical constructs that could be identified and measured from the opinions and behaviours of audit practitioners. In taking a deductive approach, it reasoned that competency theory could be extended to this professional activity and that professional standards for performing the job, would broadly apply to the international audit community. Therefore, auditors should share universal and enduring motivations, interests, job relationships, and contexts (Finch-Lees et al., 2005). Finally, an interpretive aspect to the research (expert interviews) was included, to ensure a holistic and pragmatic approach to matching occupational roles with personal attributes (Delamare Le Deist & Winterton, 2005).

Method

Case-study methodology (Creswell, 2014; Yin, 2009), which included surveys, expert interviews and documentary analysis was selected for several reasons. Although, the intention was to work with “an observable social reality and produce law-like generalisations” in a competency model (Remenyi, Williams, Money, & Swartz, 1998, p. 32), the goal was to also capture the cultural, educational, and experiential backgrounds of the participants and their representations of reality (Creswell & Clark, 2011; Willig, 2008). Therefore, the objective was not merely to aggregate data to arrive at an overall *truth*, but through reflexivity and analysis, arrive at a meaningful model of auditor competencies. This section describes the research methods and procedures used.

Case Context and Participants

The unit of analysis was the international community of performance auditors employed by SAIs. Five member organisations of the INTOSAI Performance Audit Subcommittee were selected on a convenience sample basis using three criteria: (i) the SAIs’ experience in PA, (ii) staff’s proficiency in English, and (iii) management’s willingness to participate. The competency model was developed in two stages. For Study 1, data was provided by the European Court of Auditors (ECA), and for Study 2, by the SAIs of Australia, Denmark, South Africa, and Sweden. The total population consisted of 175 performance auditors ($n = 175$). Study 1 was originally intended to develop the competency model, with Study 2 to validate it. However, owing to the low response rate from Study 1, the two surveys were run consecutively on the two groups: Study 1: ECA ($n = 78$); and Study 2: SAIs: Australia ($n = 39$); Denmark ($n = 23$); South Africa ($n = 11$), and Sweden ($n = 24$). The respondent group consisted of audit management (52%) and audit staff (48%), with the majority (71%) having only performance audit experience.

Surveys and Documentary Analysis

To design the survey questionnaires, I conducted a role analysis where behaviours of performance auditors (and comparable activities) consisting of 156 descriptor items were extracted from the professional literature and subsequently reduced to 76 items by eliminating duplicate and non-specific items (see Appendix B). Four experienced performance auditors reviewed the content validity of the items for non-relevant,

ambiguous, and missing items (DeVellis, 2016). A later pilot survey of five experienced auditors, reduced the descriptors to 56 questions (Campion et al., 2011). Both the reviewers and survey respondents were selected from the ECA as a convenience sample. The survey questionnaires contained professional demographic information and closed questions, to capture participants' importance rankings for the behavioural items, using a Likert-type scale (5 = *very important*; 4 = *important*; 3 = *moderately important*; 2 = *of little importance*, and 1 = *unimportant*). Survey 1 consisted of 56 items derived from the role analysis and survey 2 contained 43 of the items that remained following the principal component analysis of the data in Study 1 (see Appendix C). The questionnaires were then hosted by a secure survey web-platform (*CheckMarket*). Documentary analysis was conducted on the international auditing standards (INTOSAI, 2016a-b) of INTOSAI. Content analysis (Bowen, 2009) was also conducted on the preliminary reports and documents on audit competencies produced by an international expert-panel of auditors of INTOSAI in 2016 (see Appendix D).

Procedure

Data were collected and analysed using surveys, semi-structured interviews, and documentary analysis (see Figure 2.1: Components of the research design). The university's ethics committee approved the study, which also adhered to the requirements of the British Psychological Society (2009a, 2009b, 2014) on data protection and ethics.

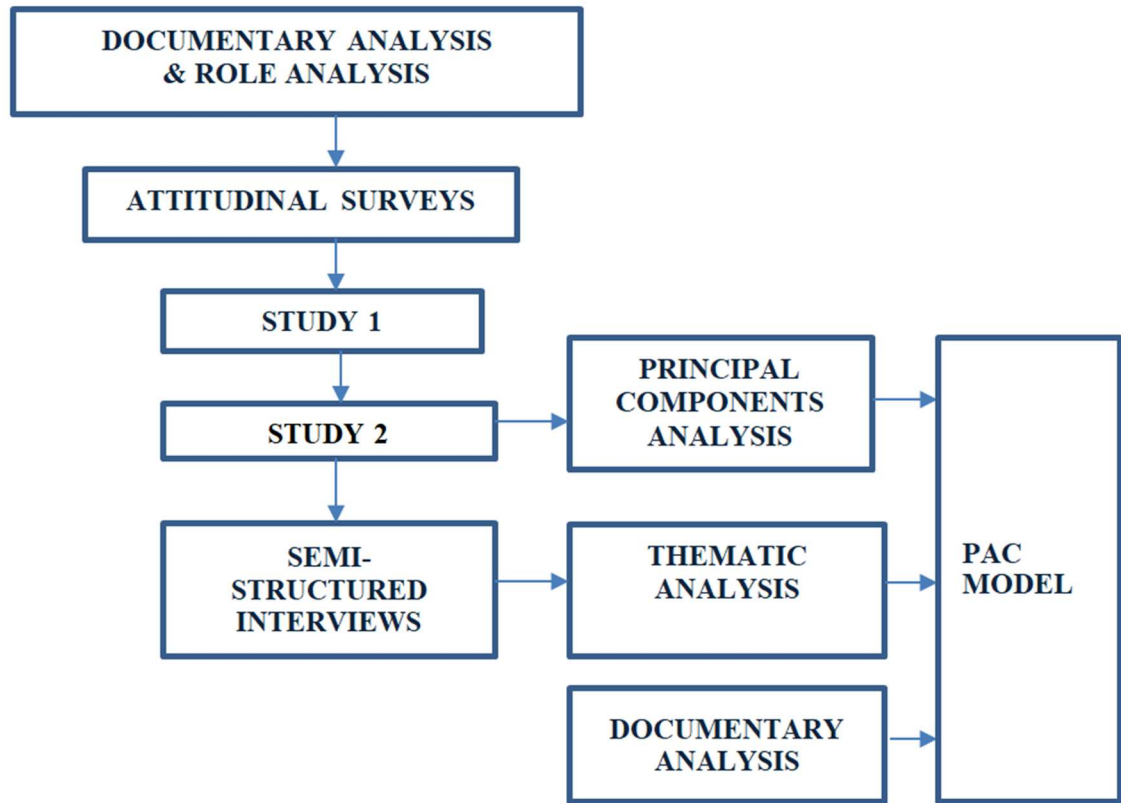


Figure 2.1. Components of the Research Design.

In Study 1, all of the ECA performance auditors were invited to participate by e-mail in March 2016, with the advance agreement of management. Invitees were informed of the purpose of the study in the invitation and that all personal data would be treated confidentially and anonymously. A 51% response rate produced 78 completed responses ($n = 78$). In Study 2, the performance auditors of four SAIs ($n = 97$) completed a questionnaire of 43 items in May 2016. Each SAI nominated a contact person who liaised with the participant cohort and disseminated the invitation letters and survey web-link. The combined Study 1 and 2 datasets met the recommended item-to-response ratio of 1:4 (Rummel, 1970).

Results

Study 1

In the absence of a hypothetical model, a principal component analysis (PCA) was conducted on the Study 1 dataset to identify its factor structure (Bryman & Cramer, 2005; Hinton, McMurray, & Brownlow, 2014). Orthogonal rotation (Varimax) was applied to extract the components representing a simple, understandable model (Kim & Mueller, 1978), with the assumption that factors were uncorrelated (Yong & Pearce, 2013). The criteria for component extraction was evaluated using (a) The Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) criterion eigenvalues > 1.0 factor extraction rule (Nunnally & Bernstein, 1994), (b) Catell's (1966) scree plot analysis, and (c) interpretability criteria. Components having at least three items with strong loadings ($\geq .40$) on each component (Ford, MacCallum, & Tait, 1986) and having shared conceptual meaning were retained (Suhr & Shay, 2009). The KMO value was .708 (above the cut-off value of .6 recommended by Kaiser, 1974) and Bartlett's Test of Sphericity (Bartlett, 1954) was significant ($\chi^2 = 3144.3$, $p < .001$). The results indicated relationships worth investigating and the suitability of the data for PCA.

The initial analysis produced 15 components with eigenvalues > 1.0 , accounting for 76% of the variance. After removing cross-loadings, a six-component solution explained 54% of the variability (Costello & Osborne, 2005). In this iteration, 11 of the 56 items were discarded owing to cross-loadings and item loadings $\leq .4$ (items 3, 9, 24, 35, 38, 43, 45, 47, 48, 52, and 53) and two items (items 1 and 17) removed to increase the reliability of the components. This iteration resulted in 43 behavioural items loading across six components. Cronbach's alpha (Cronbach, 1951) indicated "excellent" to "acceptable" (George & Mallery, 2003) internal consistency for each component: C1 ($\alpha = .92$); C2 ($\alpha = .86$); C3 ($\alpha = .81$), C4 ($\alpha = .74$), C5 ($\alpha = .78$), and C6 ($\alpha = .70$). A representative competency descriptor for each component was then defined.

Study 2

The initial PCA resulted in nine components with eigenvalues > 1.0 , accounting for 67% of the variance. A five-component extraction (Varimax rotation) was conducted, extracting component $> .5$ to identify a clearer component structure. The KMO was .928 and Bartlett's Test of Sphericity (Bartlett, 1954) was significant ($\chi^2 = 4532$, $p < .001$). The

analysis indicated that 31 items loaded onto five components after 12 items (4, 5, 8, 16, 20, 21, 22, 27, 28, 42, 46, and 57), with no loadings or three or fewer coefficients, were discarded. An initial reliability test of the component C1 ($\alpha = .864$); C2 ($\alpha = .896$); C3 ($\alpha = .815$), C4 ($\alpha = .827$), and C5 ($\alpha = .829$) also revealed good internal consistency. Therefore, the five-component solution was considered to have adequately summarised the underlying covariation between the 31 items.

Psychological attributes (affective, cognitive, behavioural, and personality) based on Peterson and Seligman's (2004) character strengths were attributed to each of the 31 KSAs, by reference to the underlying behavioural indicators and descriptions, as recommended by Campion et al. (2011). These character strengths were best-fit descriptors for the competencies, given the socio-intellectual role such auditors fulfil and the research's positive psychology orientation (Csikszentmihalyi, 1999; Peterson, 2009; Seligman, 2004). The documentary analysis revealed commonalities between the INTOSAI and Performance Auditors' Competency (PAC) models, which provided corroborative support for the PAC model. For defining and describing the model, the five components are referred to as *dimensions*, to differentiate them from competencies. These represent clusters of specific behaviours related to job success, to which related KSAs can be reliably classified (Spencer & Spencer, 1993). The dimensions derived from the PCA analysis are shown in Table 2.1.

Review by Subject Experts

Two subject experts, external to the collaborating organisation, were selected on a convenience-sampling basis, to obtain their views on the plausibility of the model (Handcock & Algozzine, 2006). The initial survey findings and documentary analysis were shared with them, and semi-structured interviews were conducted in person or by phone and e-mail, to identify contextual factors that might influence auditors' KSAs and substantiate the overall competency model and the distinctiveness of its constructs. The experts first described the competencies a successful performance auditor should have, identifying those they considered distinctive, and then commented on the appropriateness of the statistical model. In this way, they acted as a substitute for obtaining direct feedback from survey respondents, which was impossible given their anonymity. The interview transcripts (see Appendix E) were analysed (Braun & Clarke, 2006). Finally, the results of

the documentary and interview analyses were triangulated, and the statistical model was refined, removing seven items (18, 19, 23, 26, 32, 37, and 49) and adding six.

The Validity of the Model

Several characteristics of the research support the construct validity of the model. First, the multi-method approach facilitated the corroboration of data from different sources and perspectives, such as audit practitioners, experts, and representative bodies. Second, as the behavioural statements in the questionnaire were derived from international auditing standards, this increased the likelihood of their comprehension by auditors, thus increasing the content and face validity of the competencies (Mirabile, 1998). However, this familiarity also increased the risk of social desirability bias, through possible over- and under-reporting of desirable and undesirable behaviour. Third, to ensure rigour in the developmental process, evaluative criteria for competency development were built into the process (Shippmann et al., 2000; Appendix F). Lastly, the use of surveys and their statistical analysis was considered as a reasonable foundation on which to construct a robust competency model, on the basis that assessment using multi-item scales is consistent with objective measurement (Real, Roldán, & Leal, 2014).

Table 2.1 *Study 2: Descriptive Statistics for the 31-Item Competency Model: Five-Component Solution: Orthogonal Rotation – Varimax*

| Item No. | Dimension/Behaviours | <i>X</i> | SD | Factor loading | Communalities |
|--|---|----------|------|----------------|---------------|
| Dimension 1 - Balances independent professional judgement with confirming own and audited entity's understanding. | | | | | |
| 13 | Obtains sufficient and appropriate audit evidence to establish findings, reach conclusions in response to the audit objective(s) and questions and issue recommendations when appropriate | 4.81 | 0.45 | 0.72 | 0.57 |
| 34 | Draws fact-based, independent and unbiased conclusions | 4.78 | 0.45 | 0.66 | 0.54 |
| 54 | Provides audit reports, which are comprehensive, convincing, timely, reader-friendly, and balanced | 4.60 | 0.58 | 0.60 | 0.54 |
| 29 | Exercises professional scepticism by adopting a critical approach and maintaining an objective distance from the information provided | 4.54 | 0.67 | 0.57 | 0.50 |
| 44 | Analyses the collected information and ensures that the audit findings are put in perspective and respond to the audit objective(s) and questions | 4.51 | 0.60 | 0.63 | 0.62 |
| 39 | Listens actively, asking questions as required to check own understanding | 4.47 | 0.63 | 0.50 | 0.62 |
| 55 | Applies procedures to safeguard quality, ensuring that the applicable requirements are met and placing emphasis on appropriate, balanced and fair reports that add value and answer the audit questions | 4.41 | 0.68 | 0.60 | 0.65 |
| Dimension 2 - Open, honest and collaborative with an audited entity and stakeholders. | | | | | |
| 30 | Respects confidentiality and secures the trust of other parties | 4.57 | 0.65 | 0.57 | 0.60 |
| 25 | Maintains an open and objective attitude to various views and arguments | 4.52 | 0.61 | 0.50 | 0.53 |

| Item No. | Dimension/Behaviours | <i>X</i> | SD | Factor loading | Communalities |
|---|---|----------|------|----------------|---------------|
| 23 | Exercises due professional care in conducting and supervising the audit and in preparing related reports | 4.45 | 0.64 | 0.50 | 0.52 |
| 40 | Ensures that communication with stakeholders does not compromise the independence and impartiality of the auditor or audit body | 4.35 | 0.77 | 0.70 | 0.66 |
| 31 | Shows resilience in difficult situations to push through resistance and then work with people in a constructive manner | 4.28 | 0.72 | 0.61 | 0.52 |
| 50 | Maintains communication with audited entities throughout the audit process, using constructive interaction | 4.27 | 0.69 | 0.56 | 0.58 |
| 33 | Is honest and candid in their work and their relationships with the staff of audited entities | 4.21 | 0.78 | 0.62 | 0.60 |
| 32 | Organises and expresses ideas clearly and with confidence to influence others | 4.10 | 0.80 | 0.53 | 0.41 |
| 49 | Values and promotes diverse viewpoints and cultural sensitivity | 3.84 | 0.85 | 0.63 | 0.64 |
| 41 | Initiates and manages change within their sphere of responsibility | 3.62 | 0.87 | 0.59 | 0.66 |
| Dimension 3 - Effective in dealing with and influencing others in the achievement of the audit objectives. | | | | | |
| 12 | Manages conflict by negotiating and resolving disagreements | 4.08 | 0.76 | 0.63 | 0.61 |
| 15 | Balances diplomacy with assertiveness | 4.05 | 0.77 | 0.65 | 0.66 |
| 10 | Selects appropriate communication forms (verbal, non-verbal, visual, written) and media (face-to-face, electronic, paper-based) | 3.95 | 0.78 | 0.68 | 0.64 |
| 7 | Leads through influence, personal conviction and sensitivity rather than position | 3.93 | 0.91 | 0.67 | 0.52 |

| Item No. | Dimension/Behaviours | X | SD | Factor loading | Communalities |
|---|---|------|------|----------------|---------------|
| Dimension 4 - Creative, flexible and resourceful in interpreting, assessing, and analysing data. | | | | | |
| 18 | Makes rational assessments and discounts his/her personal preferences and those of others | 4.38 | 0.67 | 0.62 | 0.53 |
| 51 | Develops new knowledge and is creative, reflective, flexible, and resourceful and practical in his/her efforts to collect, interpret and analyse data | 4.15 | 0.75 | 0.64 | 0.65 |
| 14 | Possesses a good understanding of the constitutional, legal and institutional principles and standards governing the operations of the audited entity | 4.15 | 0.69 | 0.59 | 0.48 |
| 36 | Evaluates whether and in what areas external expertise is required, and makes the necessary arrangements | 4.03 | 0.81 | 0.58 | 0.61 |
| 37 | Has flexibility, curiosity and a willingness to innovate in the audit process or activities | 4.01 | 0.86 | 0.70 | 0.71 |
| Dimension 5 - Plans, conducts and reports on a quality audit. | | | | | |
| 11 | Documents the audit in a sufficiently complete and detailed manner | 4.34 | 0.76 | 0.56 | 0.55 |
| 2 | Knows and follows applicable auditing, accounting, and financial management standards, policies, procedures and practices | 4.10 | 0.86 | 0.73 | 0.66 |
| 6 | Evaluates and controls the risks associated with the audit programme | 4.07 | 0.75 | 0.60 | 0.59 |
| 26 | Does not undertake work he/she is not competent to perform | 4.06 | 0.91 | 0.67 | 0.54 |
| 19 | Considers the risk of fraud throughout the audit process | 3.78 | 0.93 | 0.68 | 0.69 |

The Competency Model

The following is a brief description of the five dimensions of the PAC model, which provides generic behavioural indicators of practitioners conducting audits, rather than senior managers working at a strategic level.

Dimension 1 - balances professional judgement with confirming audited entity's understanding and protecting the public good.

This dimension describes the critical challenge of PA, consisting of a *balancing act*, whereby auditors must arrive at facts-based impartial judgements on how the entity performed while considering the context and the arguments of the auditee. They must then publish their judgements in a fair and value-adding report. Good judgement means discerning the quality of the evidence required in a situation (“Evidence is contextual, meaning that you can have estimations – rough things for a rough conclusion and precise information for precise conclusions” – SE 1). To achieve this, auditors acquire and analyse sufficient and appropriate audit evidence and apply professional scepticism through a questioning mind and a critical assessment of the facts (Hurtt, 2010; International Federation of Accountants [IFAC], 2012; Quadackers, Groot, & Wright, 2014). This task is best achieved when they appreciate the legal and statutory arrangements governing the audited entity and are motivated by concern for the well-being of society, its citizens, and protecting the public good (“People should be interested in public services or society; have some sort of curiosity in that sense” – SE 1).

Dimension 2 - shows professional integrity through open, honest, and collaborative dealings with the audited entity and stakeholders.

Auditing depends on professional integrity and developed social intelligence to secure the trust of others; excellent communication skills; open-mindedness (i.e., willing to consider alternative points of view), and persistence (“an exchange of view and a give and take in arguments” – SE 1). These competencies are needed for building and maintaining productive relationships with audited entities and other stakeholders. A crucial element is an excellent two-way information flow and exchange of views.

Dimension 3 - effective in dealing with and influencing others in the achievement of the audit objectives.

Unlike certification-type audits, performance auditors must use social skills of diplomacy, assertiveness, and persuasion through clever reasoning when presenting their findings. They must convince the auditees of the reasonableness of their conclusions (Reichborn-Kjennerud, 2017), and the soundness of their recommendations (“When I read an audit report and ...see an auditor’s reasoning around findings and giving different perspectives and arguments ... taking the reader in a clever kind of reasoning; that for me is more evidential than only having those tables and the conclusion of the tables” – SE 1). Therefore, this dimension requires both critical thinking and social intelligence to influence others towards positive change.

Dimension 4 - applies innovative solutions in the audit process appropriate to the audit objectives and context.

PA seeks to create new knowledge with each audit through problem-solving. A vital attitude underlying this dimension is a *love of learning* and desire to create new knowledge and awareness. This attribute is complemented by having a *structured* creative ability to define the audit project, propositions, and perspectives. It also requires *reflective creativity* to see opportunities and solutions, and draw linkages between projects, through comparisons with a wider body of knowledge (“They find new doors when other doors are closed” – SE 1). Both constructs must be rooted in a proper appreciation of the audit context, a broad knowledge of the subject-matter, and consideration of the need for, and availability of, expert resources, both internal and external to their organisation.

Dimension 5 - plans, conducts, and reports on a quality audit.

This dimension addresses knowledge of auditing theory, practice, and research methods. It includes skills and aptitudes for assessing risk, and discipline to document evidence, and manage an audit project and team. These management skills embody an efficient audit process that “maximises the evidence base but at as low a cost as possible” (SE 2). However, management skills alone are not enough, as “the more knowledge-

intensive the activity is, the more knowledge-intensive management has to be” (SE 1). A matrix of the dimensions and their associated competencies are represented in Figure 2.2, while the behavioural components of each are presented in Table 2.2.

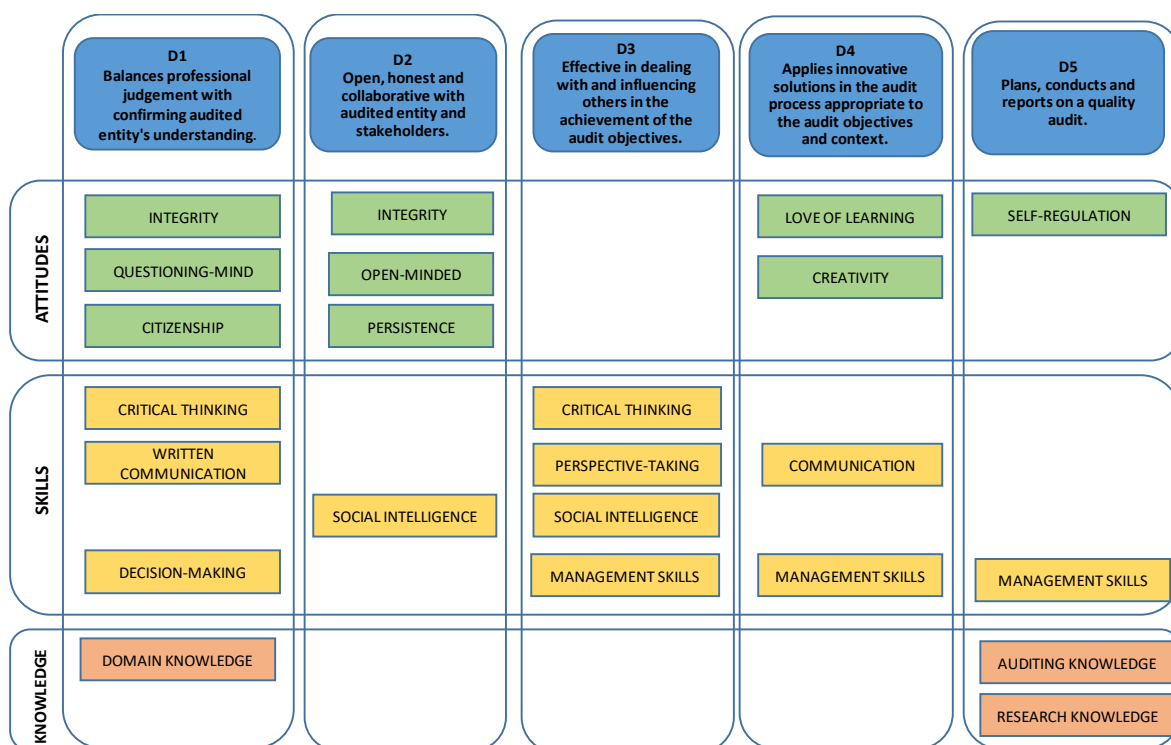


Figure 2.2. Performance Auditors' Competency (PAC) Model.

Table 2.2 *Dimensions, Competencies, and Behaviours*

| Dimension | 31 Behavioural indicators (and PAC number item) | Description of KSAs needed to do the task or display the behaviour | Competencies |
|---|---|---|-------------------|
| Dimension 1 - Balances professional judgement with confirming audited entity's understanding and the protection of the public good. | 1. (14) Possesses a good understanding of the constitutional, legal and institutional principles and standards governing the operations of the audited entity | Has sufficient knowledge of the legal and regulatory background of the audited entity and the audit domain. | Domain knowledge |
| | 2. (New) Civic-minded, with ability to understand and identify with the needs of the community and the public good. | Places importance in public policies and the proper working of the organs of the State for the benefit of citizens and the public good. | Citizenship |
| | 3. (13) Obtains sufficient and appropriate audit evidence in order to establish findings, reach conclusions in response to the audit objective(s) and questions and issue recommendations when appropriate. | Ability to conceptualise, apply, analyse, and evaluate information gathered or generated by observation, experience, reflection, reasoning, and communication. | Decision-making |
| | 4. (29) Exercises professional scepticism by adopting a critical approach and maintaining an objective distance from the information provided. | Possesses a healthy questioning attitude to new information and an ability to critically evaluate evidence, and change their opinion when faced with new convincing evidence. | Questioning mind |
| | 5. (44) Analyses the collected information and ensures that the audit findings are put in perspective and respond to the audit objective(s) and questions. | Ability to analyse information and its context and through logical reasoning and analysis arrive at a fact-based, reasonable conclusion that addresses the audit questions. | Critical thinking |

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| Dimension | 31 Behavioural indicators (and PAC number item) | Description of KSAs needed to do the task or display the behaviour | Competencies |
|---|---|--|-------------------------------|
| Dimension 2 – Shows professional integrity through open, honest, and collaborative dealings with audited entity and stakeholders. | 6. (34) Draws fact-based and unbiased conclusions that reflect the context of the phenomenon being examined. | Ability to independently assess a situation and arrive at fact-based audit conclusions while impartially take into account the context and alternative perspectives presented. | Integrity |
| | 7. (54) Provides audit reports which are comprehensive, convincing, timely, reader friendly, and balanced. | Ability to write in a concise and grammatically correct manner to clearly convey information to audiences with varying levels of knowledge on the topic. | Written communications skills |
| | 1. (33) Is honest and candid in their work and in their relationships with the staff of audited entities. | Is open and honest in dealings with audited entities as to the nature and purpose of the work being done. | Integrity |
| | 2. (50) Maintains communication with audited entities throughout the audit process, by means of constructive interaction. | Interacts effectively throughout the audit with the auditee's personnel so that new meanings or knowledge are co-elaborated through cooperative activity. | Social intelligence |
| | 3. (25) Exchanges views and maintains an open and objective attitude to various arguments. | Understands different situations and arguments and is reasonable in criticality by taking a balanced perspective according to the facts and context. | Open-minded |
| | 4. (40) Ensures that communication with stakeholders does not compromise their integrity or that of the audit body. | Establishes relationships with stakeholders that respect their positions without impinging on their integrity. | Integrity |

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| Dimension | 31 Behavioural indicators (and PAC number item) | Description of KSAs needed to do the task or display the behaviour | Competencies |
|--|--|---|---------------------|
| Dimension 3 - Effective in dealing with and influencing others in the achievement of the audit objectives. | 5. (31) Displays drive, stamina and resilience in difficult situations while working constructively with people. | Adapts well in the face of adversity, threats or significant sources of stress while maintaining a constructive approach to achieving the overall objective. | Persistence |
| | 6. (30) Respects confidentiality and secures the trust of other parties. | Is discrete and inspires confidence and trust in other parties. | Social intelligence |
| | 1. (15) Balances diplomacy with assertiveness | Focuses on own interests and encourage others to be equally assertive and outspoken in describing their interests while being flexible about how they are achieved. | Social intelligence |
| | 2. (12) Manages conflict by negotiating and resolving disagreements. | Appreciates others viewpoints and seeks to discover a common basis on which to reach agreement on a matter of mutual concern. | Social intelligence |
| | 3. (10) Selects appropriate communication forms (verbal, non-verbal, visual, written) and media (face to face, electronic, paper-based). | Suitably matches the communication form with the purpose of the communication and the preferences of the recipient to ensure effective communication. | Communication |
| | 4. (39) Listens actively, asking questions as required to check own understanding. | Ability to listen and respond to another person to gain a novel insight and improve mutual understanding. | Perspective-taking |
| | 5. (7) Leads through influence, personal conviction and sensitivity rather than position. | Influences others through rationalising, inspiring, consultation, and personal relations. | Management skills |

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| Dimension | 31 Behavioural indicators (and PAC number item) | Description of KSAs needed to do the task or display the behaviour | Competencies |
|--|---|--|-------------------|
| Dimension 4 - Applies innovative solutions in the audit process appropriate to the audit objectives and context. | 6. (New) Is persuasive through clever reasoning. | Builds a convincing argument for their standpoint using available data and context. | Critical thinking |
| | 7. (41) Initiates and manages change within sphere of responsibility. | Identifies opportunities for improvements, presents convincing arguments and is tenacious and resilient in dealing with resistance to change. | Management skills |
| | 1. (New) Has a structured creative ability to identify patterns and develop propositions. | Can reduce complex material into parts, detect relationships, and relate new and existing information creatively within contextual boundaries, in order to evaluate and arrive at a judgement. | Creativity |
| | 2. (New) Is creatively reflective in seeing opportunities and solutions that go beyond logical reasoning. | Engages in reflection and shows a capacity to generate new approaches and solutions to solving problems. | Creativity |
| | 3. (51) Curiosity and a keen capacity for applied-learning and developing new knowledge. | Takes an interest in experiences for their own sake and displays openness for learning and creating new knowledge. | Love of learning |
| | 4. (36) Evaluates whether and in what areas external expertise is required, and makes the necessary arrangements. | Assesses the competencies of the audit team against the demands of the task and acquire additional resources where necessary. | Management skills |

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| Dimension | 31 Behavioural indicators (and PAC number item) | Description of KSAs needed to do the task or display the behaviour | Competencies |
|--|---|--|--------------------|
| Dimension 5 - Plans, conducts, and reports on a quality audit. | 1. (2) Knows and follows performance auditing standards and financial management standards, policies, procedures and practices. | Has knowledge of auditing, accounting, and financial management standards and the organisation's related procedures and good practices to be able to design, plan, conduct, and report on a performance audit. | Auditing knowledge |
| | 2. (11) Documents the audit in a sufficiently complete and detailed manner. | Prepares audit documentation in sufficient detail so that an experienced auditor, having no previous connection with the audit, can understand the procedures performed the results of the work and significant matters were dealt with. | Self-regulation |
| | 3. (55) Applies procedures to safeguard quality, ensuring that the applicable requirements are met and placing emphasis on appropriate, balanced and fair reports that add value and answer the audit questions | Is disciplined in ensuring that the audit is conducted and reported in accordance with professional standards and results in a worthwhile report. | Self-regulation |
| | 4. (6) Evaluates and controls the risks associated with the audit programme. | Plans, implements, and manages the audit in a professional and timely manner. | Management skills |
| | 5. (New) Has a broad familiarity with research methods. | Is knowledgeable about various research methods and can apply them to appropriate situations. | Research Knowledge |
| | 6. (New) Has management ability linked to competency in performance auditing. | Can successfully manage a performance audit project and team. | Management skills |

Discussion

This case-study identified distinctive competencies that performance auditors apply in public sector audits, such as citizenship, inspiring trust, high use of social intelligence, creativity, and a love of learning. Citizenship is described as individuals' "identification with, and sense of obligation to a common good. They support the public interest, promote social responsibility and are committed to making the world a better place" (Peterson & Seligman, 2004, p. 357). I suggest that this sense of purpose, which is supported by findings that accountants are driven by intrinsic or higher order needs (Dillard & Ferris, 1989), inspires the performance auditor to develop novel propositions, perspectives and audit questions. It is also compatible with findings into public employees' motivations and behaviours, which indicate that, a "form of altruism or prosocial motivation...arising from public institutions and missions...(is) more prevalent in government than other sectors" (Perry, Hondeghem, & Wise, 2010, p. 682; Tepe & Vanhuysse, 2017). Therefore, it is proposed that citizenship is a distinctive attribute of performance auditors, when compared with their private sector counterparts.

The attribute of auditors instilling trust, not only overlaps with integrity and competence, but its antecedents of shared values and intentions also follow the citizenship and higher order needs of the auditor (Holmes & Rempel, 1989). The building of trust is also reliant on prosocial attributes, such as constructive interaction, open-mindedness, and good communication with the auditee, contained in the model. The antecedents and manifestations of trust are considered in Chapter 3. However, it is reasonable to conclude that inspiring trust in clients is a common requirement of most professional roles, which are heavily invested in integrity and competence. Similarly, social intelligence is needed in auditing to influence others and bring about change. Although the perception of *negotiations* risks impinging on auditors' integrity and the inviolability of audit findings, most auditors thought it important for reconciling viewpoints (Gibbins, McCracken, & Salterio, 2007; Siriwardane et al., 2014). Social intelligence skills, not only promote a fair and balanced interpretation of the phenomenon audited (Gibbins, McCracken, & Salterio, 2010), they also moderate the auditees' adverse reactions to the power positions bestowed on the auditor when problem-solving and drafting recommendations. Recent research has confirmed this moderating influence in reducing auditor's dysfunctional behaviour, thereby improving audit judgement, and increasing audit quality (Yang & Brink, 2018).

Creativity has been defined as the “production of novel and useful ideas” (Amabile, 1988, p. 126), and is crucial in an ever-changing work environment (Davis, 2004), as it allows individuals to explore, imagine, invent, and connect ideas when addressing problems and contexts (Sternberg & Sternberg, 2012). The positive effect of audit creativity on audit success, decision-making, and the selection of audit techniques in accounting firms, has been acknowledged (Lowendahl, 2000; Pornpun & Ussahawanitchakit, 2010), as well as the tension between creativity and productivity in such environments (Chang & Birkett, 2004). Accordingly, given the researcher-type, problem-solving role performance auditors fulfil, different types of creativity tools are required for problem-solving and the efficient collection and analysis of data. *Reflective creativity* (identifying opportunities and solutions) is similar to critical thinking involving solution-focused analysis, for example, when evaluating the evidence for an argument, where not all the relevant information may be available (Cotton, 1997; Lewis & Smith, 1993). However, it goes beyond critical thinking, with an emphasis on seeing opportunities and solutions through insightful problem-solving rather than detailed analytical action. *Structured creativity* (identifying patterns and developing propositions) could be described as “metaphorical and analogical thinking” (Davis, 2004, p. 154), where the auditor takes new and existing information and rearranges and extends it to different contexts to identify patterns, create new ideas, and predict and find solutions (Lewis & Smith, 1993). For instance, the non-standardised character of the audit work requires creativity (with a small ‘c’) across the audit phases (Beghetto & Kaufman, 2007). The performance auditor must define the steps in the task, and not merely conduct predefined steps in an algorithmic fashion (Amabile, 1982). Interestingly, in the context of individuals’ limited cognitive capacity to attend to both creative and routine tasks (Simons, 1995), recent laboratory-based research has indicated that providing input and output targets to individuals doing routine tasks provides them with the cognitive closure required to start thinking creatively (Brüggen, Feichter, & Williamson, 2018). Therefore, the performance auditor’s non-routinised environment should provide greater freedom for creativity.

Perspective-taking, as a third form of creative thinking (Davis, 2004), allows auditors to achieve a common understanding with the auditee, to arrive at fair and balanced audit conclusions, with the least unnecessary disagreement with the auditee (Eilifsen, Knechel, & Wallage, 2001). They achieve this by placing themselves outside the

constraints of their egocentric frame of reference to examine a situation from others' perspectives (Takagishi, Kameshima, Schug, Koizumi, & Yamagishi, 2010). Nonetheless, the attribute falls short of empathy, which might counterproductively tip the balance towards accommodation and acquiescence, possibly leading to deep concessions and the risk of exploitation (Galinsky & Schweitzer, 2016).

Auditors display a love of learning, a type of curiosity involving “the mastering of new skills, topics, and bodies of knowledge, whether alone or formally”, in a systematic fashion (Peterson & Seligman, 2004, p. 29). This is understandable, given that curiosity is, not only a strong driver of expertise (Harrison, Sluss, & Ashforth, 2011), it is also associated with high levels of engagement motivation for undertaking complex and challenging work roles (Gallagher & Lopez, 2007). Auditors' intrinsic task motivation (Deci & Ryan, 2008) is to satisfy their curiosity and their citizenship orientation by creating new knowledge and insights. Their role gives them the freedom to explore questions of interest and contribute to their sense of personal development and achievement. Nonetheless, this attribute can also create difficulties for the insufficiently self-regulating auditor whose curiosity leads to excessive data-gathering or the pursuit of unnecessary information.

To summarise, I submit that performance auditors possess characteristics congruent with Peterson & Seligman's virtue of *wisdom*, which is achieved through “creativity, curiosity, love of learning, open-mindedness, and what is called perspective—having a *big picture* on life” (2004, p. 13). This involves cognitive, emotional, and motivational characteristics and is defined as “knowledge of facts, procedures and strategies of lifespan development, the context of lives and their dynamics, value relativism and tolerance, and awareness and management of uncertainty” (Baltes & Kunzmann, 2002, p. 131). Individuals displaying wisdom-related knowledge also display negotiation and conflict resolution strategies (Kunzmann & Baltes, 2003). I suggest that auditors display a crucial element of this wisdom, which is recognising the “need to balance intelligence with creativity to achieve both stability and change within a societal context” (Sternberg, 2001, p. 360). These strengths and virtues, while valued in other professions, combine in this model to constitute its distinctiveness from other accountability and inspection-type roles. This finding may appear counterintuitive, given the stereotypical portrayal of auditors as cold, impartial analysts, who hunt out error and irregularity through technical, rule-based

assessments (Siriwardane et al., 2014). The situation is perhaps explained by the basket of KSAs (as well as experiences) that auditors apply in their different roles and contexts, and to different purposes. Therefore, in performance audit, auditors desire to acquire, create, and use knowledge, in an authoritative yet collaborative way, for the greater public good. This aspiration may represent their sought after wisdom – their balance between intelligence (intellectual and emotional) and creativity.

Limitations

A key limitation of competency models is their “one size fits all” approach. Therefore, the model’s applicability to wider populations could be challenged by the limited participation of SAIs. Although this critique is partially mitigated by the sourcing of behavioural items from international standards. However, the auditing standards, on which the model is largely based, exist in the absence of a conceptual framework for performance management. This means that standard-setters have no authoritative guidance in determining what ought to be, concerning audit practices, responsibilities, and relations (Jones & Pendlebury, 2000), particularly given the multidimensionality and complexity of organisational performance in huge public services, such as health and education (Pollitt, 2018). Furthermore, the extent of SAIs’ compliance with the standards is currently unknown. Moreover, due to the cross-sectional nature of the study, it focused on static rather than dynamic properties, such as actual engagement and behaviours. It presented the constructs as they exist, rather than predicting future needs, which would have been challenging, given the different stages of development of performance audit in various countries. As professionals progress through developmental stages of competence (Dreyfus & Dreyfus, 1986), one could argue that auditors’ degree of competence, particularly with regard to creativity (Ford, 1996), depends on their experience.

Concerning the methodology used, social desirability may have influenced the outcomes of the self-reporting questionnaires. However, this perhaps occurred only to a limited extent, given the anonymity of the survey and the non-personal questions (Schlenker & Weingold, 1989). The convergent validity provided by the reviews and input of the subject experts mitigated this risk. Although the snowball-type sampling method was non-randomised, it was directed at performance auditors in international SAIs, thus providing greater control over the practitioner status of respondents. Lastly, although the

exploratory principal component analysis used to derive the model dimensions involved high subjectivity (Baglin, 2014), the situation was partially mitigated by the documentary analysis and the corroborating and contrasting input from the other data sources.

Future Research

Future research should assess the discriminant power of the model by broadening the existing study to incorporate surveys of other public sector auditors. An empirical study to assess the impact of high and low competency values on audit outcomes, such as the nature and duration of auditee discussions on the final report and the acceptability of recommendations by auditees, would provide insight into the influence of such attributes. An assessment of the levels of proficiency required in each dimension, differentiated by the specific roles of members of a performance audit team (e.g., team-leader, report-writer, and researcher-analyst), is also needed to add specificity and functionality to the model. The mediating effect of national cultural dimensions on individuals and organisations' values and behaviours (Hofstede, 1991) could also be examined. Peer reviews and 360-degree assessments should also be conducted to assess the content validity of the model and the competencies required at audit team level. The applicability of the model could then be tested by examining the effectiveness of performance audit teams having these competencies (Belbin, 2012) and the degree to which autonomy affects task results and satisfies the interests of team members (Behfar, Peterson, Mannix, & Trochim, 2008). Finally, the moderating impact of technologies (Kirkman, Rosen, Tesluk, & Gibson, 2006), such as teleconferenced meetings, the impact of flexible work arrangements, and supervising and monitoring the execution of tasks could also be usefully researched in the model (Gibson, Gibbs, Stanko, Tesluk, & Cohen, 2011).

Reflexive Practice

Being embedded in the collaborating SAI led me to reflect on the values, motivations, experiences, and biases I brought to the study. First, in adopting an individual differences psychological approach to the research, and second, by using positive psychological theory to interpret the results, which was due to its emphasis on the "human side of enterprise" (Montuori & Purser, 2015, p. 724). Although competency modelling is conceptually embedded in the realist positivist paradigm, its methodology draws

considerably from idiographic and constructionist epistemology using behavioural event interviews (Boyatzis, 2008). Because of this, a pure social constructionist qualitative-based approach was initially considered, using Kelly's (1955) repertory grid technique. This would have allowed interviewees to define the breadth and scope of the constructs that gave them personal meaning. However, it may not have facilitated the development of a model, acceptable by the practitioner community as "useful" for human resource management purposes. Although the concept of "usefulness" is said to signify un-reflexive functionalism (Cunliffe, 2003), I suggest that research is most useful or actionable based on its value rather than its *truth* (Gabriel, 1995).

Conclusion

This empirical case-study set out to identify the distinctive competencies of performance auditors. It succeeded by developing a rich descriptive picture of an individual having the capacity and motivation for balancing intelligence with curiosity, creativity, and love of learning, to address a common public good. This model provides a useful basis towards identifying and developing individuals who have the capability and motivation to ensure the right questions are asked of the right people. This study also contributes theoretically to knowledge, by filling the existing gap concerning the competencies of performance auditors, and by adopting positive psychological dimensions in competency modelling.

Chapter 3: Development of a Relations Model and Scale

Relationships are complex and multipurpose. The characteristics of high-quality work relationships have been the subject of research in recent years (Caillier, 2017; Dutton & Heaphy, 2003). As individuals, we have an intrinsic desire to develop and sustain positive relationships, whether through team-building with colleagues, or improving client-relations (Baumeister & Leary, 1995). Naturally, the purpose of relations greatly influences the type of interactions between individuals and whether positivity is achievable; as does how we define ourselves and our role in that relationship. The police investigator, the medical doctor, the teacher, and the auditor may each have diagnostic and pedagogic roles, but they also deliver authoritative and impartial judgements with serious consequences. So, how do we gauge the effectiveness of such relationships, and what determines their adaptive characteristics?

In simple terms, work relationships can be defined as “a reoccurring connection between two people that takes place within the context of work...and is experienced as mutually beneficial” (Ragins & Dutton, 2007, p. 9). In broader terms, work relationships are a “source of enrichment, vitality, and learning that help individuals, groups and organisations grow, thrive, and flourish” (p. 3). Concerning audit relationships, studies have identified three antecedents of a high-quality audit: the integrity of the audit firm or organisation (Kilgore, Radich, & Harrison, 2011); its technical competence, and the quality of its working relationship with clients (Beattie, Fearnley, & Hines, 2013; Behn, Carcello, Hermanson, & Hermanson, 1997; Chartered Association of Certified Accountants [ACCA], 2016). However, a significant knowledge-gap exists about the quality of auditor-auditee interactions and how auditors are recruited, trained, and motivated in this respect (Guénin-Paracini et al., 2015). Thus, a greater understanding of auditors’ motivations, behaviours, and cognitive and emotional drivers would shine some light on adaptive qualities and positive features.

This chapter addresses this knowledge-gap by examining the nature of work relationships in public sector audit by addressing the research question: can audit promote change through positive collaborative engagement and learning? It presents two studies: Study 1 - a qualitative thematic study that explores the interpersonal interactions between performance auditors and their auditees from the perspective of the auditor. The research design of Study 1 aimed to capture the richness and diversity of public sector auditors’

relational experiences through semi-structured interviews in one audit institution (the European Court of Auditors). This study describes the antecedents and characteristics of the role, and the attributes or psychological assets (Boehm, Chen, Williams, Ryff, & Kubzansky, 2015) that auditors employ in their work. Study 2 used these results to conduct a quantitative analysis of performance auditors' perspectives on interrelations, resulting in a psychometric scale to measure the interrelational constructs. This research sought to provide new insights to improve professional relations and contribute to introducing a collaborative, learning dimension to audit, for the mutual benefit of all stakeholders.

This chapter starts by defining audit and public sector audit, specifically. It then explores the characteristics of the accountability framework and the role and character of performance audit (PA) as a precursor to understanding behavioural requirements on auditors. It then reviews audit relationships through established theoretical models, and explores their intrapersonal, interpersonal and interorganisational dimensions. Extant literature on the specific problems faced by performance auditors is then reviewed. The research is then presented along with the findings describing the attributes and processes of the PA relationship. The second study then presents the process and outcomes of developing the psychometric scale.

Audit Has Many Dimensions

An audit can be defined from different epistemological perspectives.

Philosophically, Mautz and Sharaf (1964) state that:

audit is analytical, not constructive; it is critical, investigative, concerned with the basis of accounting measurements and assertions. Audit emphasises proof, the support for financial statement and data. This audit has its principal roots, [...] in logic.... (p. 14).

Sociologically, Flint (1988) adopts the relational perspective, defining it as:

a special kind of examination by a person other than the parties involved, which compares performance with expectations and reports the results; it is part of the public and private control mechanism of monitoring and securing accountability. (p. 57).

Lastly, and more simply, it is defined as “the accumulation and evaluation of evidence about information to determine and report on the degree of correspondence between the information and established criteria” (Arens, Elder, & Beasley, 2012, p. 4). Therefore, one could conclude that audit has a logical, relational, and evidential basis. However, audit also has a political dimension. The external auditor’s opinion supports the accountability relationship between the organisation as the agent, and the stakeholders (shareholders, democratic representatives, taxpayers, customers, suppliers, regulators, etc.) as the principal (Antle, 1984). Whereas private sector audit is synonymous with financial reporting, public sector audit also reports on probity and regularity of financial transactions and the economy, efficiency, and effectiveness of public services (Percy, 2001). Supreme Audit Institutions (SAIs) play an important role in the accountability apparatus by providing information to reliably support informed debate while avoiding political agendas (Majone, 1989; Reichborn-Kjennerud, 2014). Research on the role of SAIs has been rather limited, with Van Loocke and Put’s (2011) review citing only 14 such studies. While their mandates and operational arrangements vary according to the governance systems of their countries, regions, and cities, their overriding purpose is to contribute to oversight.

These different dimensions, logical, relational, and political are expressed to varying degrees through the processes and relationships of audit, depending on the nature of the audit engagement and the accountability, and audit culture and practices in place. However, I suggest public sector audit should not only address the information needs of stakeholders, it should also proactively fill the knowledge and accountability gaps identified, through dissemination of expertise and the exercise of foresight.

Public Sector Audit Requires Re-purposing

Although public sector audit supports accountability, it falls far short of its potential to be a transforming and effective mechanism for change management and improvement (De Bondt, 2014; Stephenson, 2015). Even before the recent financial crisis that highlighted inadequacies in the conduct of financial regulators and control bodies across the world, commentators questioned whether public sector auditors, the financial watchdogs of public spending, were still fit for purpose (Blume & Voight, 2007). A longstanding critique has been whether audit helps to improve the public sector, rather than merely representing the “rituals of verifications” (Power, 1999). One reason for this

deficiency may be the self-imposed delimited role of auditors and their organisations, in their interaction with auditees. These limitations are usually founded in legal provisions and established through protocols and conventions that dictate behaviour. The focus on accountability and its emphasis on rigour, independence, and social distance, reinforce these formal relations and preclude a learning-focused relationship built on stakeholder commitment, social proximity, and open dialogue (Lonsdale & Bechberger, 2011). Nor does the image of auditors as the heartless adjudicators of hapless projects advance the case for an understanding relationship among auditees. After all, few professional relationships require you hand your ‘assailants’ the stick with which to beat you and that you prepare for their arrival each year to do it all over again!

Some SAIs and their stakeholders suggest public sector audit needs to address the gap “between society’s expectations of auditors and auditors’ actual performance” (Liggio, 1974; Monroe & Woodliff, 2009; Porter, 1991, p. 64). This, they argue, can be achieved by conducting “real-time auditing”, and looking “upstream” at decision-making and policy-making in government departments, as well as “down-stream” to how programmes and services are delivered, through performance auditing. By doing so, auditors would become more responsive and relevant. However, although auditors are encouraged through performance audit to become responsive by acting as catalysts to change (Lonsdale & Bechberger, 2011) and modernisers for improvement (Skaerbaek, 2009), they are often perceived as “an unhelpful brake on transformation” (ACCA, 2014, p. 5), due to the *risk-driven, problem-based, fault-finding* audit enquiries they conduct. I suggest that public sector auditors should not view their accountability role solely through this “pin-hole” of probity and pessimism. Rather, I argue that to address the expectation-gap, accountability must be seen through “a prism” which reveals a cache of opportunities for dynamic, relational, and pedagogic engagements with auditees and stakeholders. The challenge is ensuring a proper demarcation between the responsibilities of management to take initiatives and manage and the prerogative of auditors to promote and support good governance and financial management.

Accountability and Pedagogy Make Strange Bedfellows

While accountability has been defined in different ways, intrinsically, it is an instrument wielded by those in power, to hold others to account for their actions. That

instrument consists of a dyadic relationship, “a communicative interaction between an accountor (person or organisation) and an accountee (Pollitt, 2003, p. 89), in which the former’s behaviour...is evaluated and judged by the latter, in light of possible consequences” (Romzek & Dubnick, 1998, p. 6). Bovens (2007) introduces the concept of an obligation on actors to justify their actions to a forum:

The relationship between an actor and a forum, in which the actor has an obligation to explain and to justify his or her conduct, the forum can pose questions and pass judgement, and the actor may face consequences. (p. 107).

At a conceptual and strategic level, Aucoin and Heinzman (2000) describe the relationship as having a democratic basis (i.e., policymakers are accountable to the electorate); a constitutional basis (i.e., controls to prevent and detect abuses in governance); an administrative function (i.e., goals set have been effectively met), and a learning perspective (i.e., focused on improving the delivery and quality of public services). Therefore, it is a broad concept, operating at many levels. They argue, however, that control does not contribute to improving performance, nor does providing assurance based on complex performance management reporting. Instead, they maintain that performance assessments should provide opportunities for learning, leading to better policy formulation and management, and that performance improves when assessments use objective criteria, recognise constraints facing public authorities, and are not excessively “negative and ...blaming” (Aucoin, 1980, p. 52). They conclude that, as improved performance cannot be achieved without improved accountability, no inherent contradiction exists between promoting improvement and accountability functions.

At an operational level, the accountability process is described by Schillemans (2008) as consisting of three parts: an *information phase* (where the accountor justifies his/her conduct), a *debating phase* (where the accountee raises questions, dialogues and judges), and a *consequences phase* (where the accountor faces formal or informal consequences). However, he and his colleagues exclude a learning process by arguing that accountability and learning present conflicting objectives (Bovens, Schillemans, & ‘T Hart, 2008). Aucoin and Heinzman’s (2000) assertion that improved performance requires improved accountability is debatable, on the basis that increased accountability and control can often stifle creativity and learning. However, I agree that accountability and pedagogic or learning objectives need not be conflictual or mutually exclusive. In fact, recent

empirical research suggests that the more auditees perceive having a consulting relationship with their public sector auditors, the more likely they are to make recommended improvements (Carrington, 2017). Nevertheless, accountability mechanisms require independent institutions free from investigatory and reporting constraints to scrutinise governmental activities and “establish the credibility and reliability of information...which is expected to be used and relied upon by a specified group or groups....” (Flint, 1988, p. 22). A necessary precondition for such control is the independence of the verifying party, the auditor. A key issue, I suggest, is whether the expression and exercise of independence impedes learning in an accountability environment. To examine this, I next consider the characteristics of public sector audit compared with that of the private sector.

The conditions and context that SAIs operate in are quite different to those of their private-sector counterparts (see Table 3.1). Characteristics such as permanent tenure, the lack of a fiduciary relationship generally, and parliamentary oversight are likely to impact on the nature of relationships between auditors and the audited entities, in particular, the parliamentary oversight function to which public sector bodies are subjected and the publicity that audits attracts (Raudla et al., 2015). These characteristics reinforce the perception and expectation of non-association between auditors and audited entities to protect audit independence. In contrast, private audit firms safeguard the independence of their audit judgement by separating their assurance (audit) services from their non-assurance (consultancy) work in accordance with the *Code of Ethics for Professional Accountants* (International Ethics Standards Board for Accountants, 2006). This requires separate reporting lines for non-assurance services and prohibits non-members of the assurance team from influencing the assurance engagement. Thus, the accountability function is separated from consultancy, even though it is delivered by the same organisation. Crucially, non-assurance activities must not involve a management function such as setting policies and strategies, authorising transactions, deciding on recommendations to implement, and designing and implementing internal control. An equally significant difference is the administrative function (Aucoin & Heinzman, 2000) that accountability and audit fulfil in public bodies, and the performance and management standards to which state bodies are held accountable. The following section examines this aspect.

Table 3.1

Public and Private Audit Context

| Public sector auditors | Private sector auditors |
|--|--|
| Auditor general or college of members of audit institution | Audit partner responsible for audit engagement |
| No fees | Negotiated fees |
| Published audit findings and recommendations | Standardised opinion in financial statements only |
| Permanent statutory engagement | Medium-term commercial engagement |
| Oversight by a parliamentary committee to whom the report is addressed | Direct responsibility to the client for service and indirectly to users of audit opinion |
| Apply public accounting and auditing standards | Apply private sector accounting and auditing standards |

New Public Management: An Anglo-Saxon Ideology

Foucault held that governmentality is a complex form of power enforced by expert technologies and professional disciplines (Burchell, Gordon, & Miller, 1991). One such technology is *New Public Management* (NPM), consisting of managerial systems of budgeting, programming, standards and benchmarks, introduced in the 1970s and 1980s in the UK, British Commonwealth and Scandinavian countries, following the economic crisis and public expenditure deficits (Power, 1996, 1999, 2003). Under this paradigm, government organisations were reformed, split into business units, and assigned performance targets for which managers were held accountable (Hood & Dixon, 2015). NPM can be described as the institutional logic of how the organisation operates in the social world, which consists of four systems: state law logic; managerial logic (i.e., NPM); professional logic, and democratic logic (Thornton & Ocasio, 2008). For example, in southern European administrations influenced by a state law system of codified laws and regulations, NPM is considered an Anglo-Saxon ideology. Similar to an invasive species

that threatens the local “administrative ecosystem”, it is reinforced by the authority and professional discipline of independent audit bodies. This aggressive expansion in public sector audit has been criticised by Power (1994) in his thesis “*The audit explosion*”, arguing that accountability has become reductionist, punitive and, therefore, counterproductive, relying principally on fear and expectations of compliance. He contends that the concepts of *quality*, *performance*, and *effectiveness* must be revised and broadened, the explosion of performance measures curtailed, and new audit processes developed (Power, 1999). His argument, however, has been criticised for not defining *audit* and its different forms or distinguishing it from other evaluative practices (Lindeberg, 2007). Nevertheless, the need to move beyond compliance and fear has been accepted by commentators and stakeholders.

One alternative model put forward is *learning accountability*, a process-focused, rather than output-focused, form of accountability, that promotes cross-sectoral cooperation and innovation (Flinders, 2001), and dialogue and collaboration to increase organisational learning (OECD, 2010; Schillemans, 2008; Zheng & Warner, 2010). However, learning accountability also presents undesirable consequences, such as higher demand for data and the need for extensive participation and dialogue (Moynihan, 2006, 2008). It also introduces the risk that learning encourages constant organisational changes in the name of improvements (Lewis & Triantafillou, 2012). However, I suggest that the risk of constant organisational changes may be no different from the current practice of repeated audit recommendations aimed at strengthening financial management regulatory provisions and practices, but which do not contribute to a conceptually coherent performance management framework. The next section examines what performance audit is and how it defines and is defined by NPM.

Performance Audit: An Authoritative Change Management Tool

The practice of performance auditing (PA) is considered a necessary part of a SAI’s audit portfolio (Lonsdale, 2011). INTOSAI describes PA as:

an independent, objective and reliable examination of whether government undertakings, operations, programmes, activities or organisations are operating in line with the principles of economy, efficiency and effectiveness and whether there is room for improvement (2012, p. 2).

However, PA is not an archetypal form of audit that fits precisely into the category of *audit*. It could be described as an evaluation, but performed with the rights, authority, and standards of an assurance engagement or audit. This, therefore, presents difficulties in the audit relationship (Arens et al., 2012; Lindeberg, 2007). Although the audits are similar to operational and management audits, the latter are part of organisations' internal audit function, whereas the former are primarily undertaken by SAIs and local government auditors (Lindeberg, 2007).

Ontologically, PA is guided by *managerial logic* and NPM ideology (Thornton & Ocasio, 2008), where SAIs are legally, organisationally, and operationally free to choose what to audit, when to audit, the objective of the studies, and the assessment criteria (Pollitt et al., 1999; Talbot, & Wiggan, 2010). However, because civil servants are normally guided by a *professional logic* (professional judgement, legislation, and hierarchical executive orders), this can lead to a clash of ideologies and power rivalries (Meyer & Hammerschmid, 2006). In other cases, the *managerial* argumentation of the audit findings and recommendations can also be incompatible with the auditee's *state law/compliance* orientation (Reichborn-Kjennerud, 2014). A recent empirical study of government executives in European countries confirms the varying intensity with which NPM reforms have been embraced across countries and its impact on managerial autonomy (Bezes & Jeannot, 2018). For instance, in European countries with transition economies, the manager is generally a political appointee rather than a civil servant (Hepworth, 2018), which introduces a political dimension into management decision-making.

The audit profession is perceived as one of power, based on human, financial, and regulatory capital (Malsch & Gendron, 2013). Dahl defines power as "a relation among social actors in which one social actor, A, can get another social actor, B, to do something that B would not otherwise have done" (1957, pp. 202-203). This power manifests as an ability to control the other's behaviour or their outcomes (Thibaut & Kelley, 2008). Thus, it is suggested that performance audit presents an unequal power relationship where SAIs exercise ideological power (Foucault, 1980) by re-shaping audited bodies in their image, through definitions of quality and performance in their published reports (Morin, 2016). Therefore, it is argued that auditors' reports are not neutral but are a "vehicle for organizational change" (Power, 1999, p. 95), acting as mediators in the "formulation and transformation of the organisational identity" (Justesen & Skærbæk, 2010, p. 335). These

reports can be used to force public bodies to achieve policy objectives and targets (Bowerman, Humphrey, & Owen, 2003; Morin, 2004). They can also “actively shape the design and interpretation of auditable performance” (Power, 2000, p. 114) by imposing values, new meanings and management practices (Black, 1999; Bowerman, Raby, & Humphrey, 2000; English & Skaerbaek, 2007). Finally, they also contribute to the *blame game* and the identification of “losers and winners”, so much, it is argued, that the “practice of identifying poor performance and the subsequent discourses has become an institution” (Johnsen, 2012, pp. 138, 121).

However, power is also a relative concept, an aspect of social relations that can be understood only in context, such as the power between auditor and auditee (Emerson, 1976). Understandably, auditees dislike audits, and vehemently defend their reputations and personal competence. This situation introduces a feeling of injustice, a need to prove one’s innocence, and brings feelings of stress and discomfort to auditees. Although auditors defend their responsibility and right to assess auditees’ performance, no institutional audit powers or arrangements can allow auditors to ignore auditees or prevent auditees from impeding an audit (Guénin-Paracini et al., 2015). Thus, the audit relationship is imbued with actions of power and resistance on many levels. To overcome such resistance and be an effective change management tool, public sector audit must establish the legitimacy of the managerial logic through stakeholder and auditee engagement and advocacy, and by providing added-value through insight and knowledge-sharing. The next sections look at interpersonal relations within the audit process and the features of professional relationships by reference to extant literature.

Interpersonal Relationships in a Functionalist Paradigm

This study adopts the structural functionalist paradigm (Burrell & Morgan, 1979), which is prevalent in organisational research and one of the most influential conceptual paradigms for understanding workplace behaviour (Cropanzano & Mitchell, 2005). It takes a normative approach emphasising objectivism, social systems theory, and controllable and measurable variables. Within this paradigm, social exchange theory (SET: Thibaut & Kelley, 1959) views relationships as a “marketplace”, where individuals act rationally in seeking: maximum profit or reward; long-term outcomes; social approval; autonomy; certainty and security (Sabatelli & Shehan, 1993, p. 391), and to associate with

those of similar socio-economic status (Nye, 1979). It assumes that relationships involve trust instead of legal obligations and explicit bargaining (Stafford, 2008). However, the common purpose underlying SET is “the advancement of both parties’ self-interest” (Roloff, 1981, p. 14), a goal which requires interpersonal interaction (Blau, 1964) and interdependence (Thibaut & Kelley, 1959), where both parties reciprocate or mutually reinforce each other through their actions (Ekeh, 1974).

SET has been criticised, however, on the grounds that it greatly understates the complexity of relational life (Duck, 1994). First, it rationalises all motivational behaviours and bases exchange rules solely on economics-based interactions, presumed to progress linearly. Second, it ignores the broader range of exchange rules, such as altruism and competition (Cropanzano & Mitchell, 2005) and individual differences, such as levels of self-awareness (Snyder, 1979). Most importantly, by emphasising the satisfaction of the individual’s needs, it disregards group solidarity and its influence on the individual (England, 1989). For instance, in collectivist cultures people act according to their social identities and that of their intergroup, and not their interpersonal context (Hofstede, 1991). Nevertheless, SET has usefully explained phenomena, such as strategic alliances among organisations (Muthusamy & White, 2005) and consumer loyalty (Agustin & Singh, 2005).

Professionalism in Relationships: More About Behaviour Than Expertise

The term *professionalism* has, over the years, reflected historical and societal changes (Kimball, 1995). It encapsulates the meaning of “oath” or “vow”; the theological root of “selfless service”, and “paid professional services” (Dirsmith, Covalesski, & Samuel, 2015, p. 173). In this respect, individuals continuously need to evaluate their self- and organisational identity (Pratt, 2003), in the face of changing work contexts and conditions (Brocklehurst, 2001; Giddens, 1991). These identities form a collective representation (Whetten & Mackey, 2002) and are relational and comparative constructs, mainly created through interactions with stakeholders (Martin, Johnson, & French, 2011). For instance, in the 1980s, researchers expressed concerns about the commercialisation and transformation of accounting firms from independent, public service-oriented organisations into entrepreneurial, self-seeking knowledge workers, which undermined their professionalism (Gendron & Spira, 2010).

Three widely quoted yet different models of professionalism exist. Greenwood (1957) characterised professional disciplines by their unique characteristics: a systematic body of theory, professional authority, and sanction of the community, a regulatory code of ethics, a professional culture, and a sense of social duty. Flint (1988) proposed a somewhat similar model including skills and knowledge based on advanced education; a necessary qualification to obtain competence and authority to practice; objectivity, impartiality and integrity; and a code of good conduct ensuring standards of competence and discipline. Both models stress the ability to exercise authority over clients (Johnson, 1972) and labour markets, by their claims to expertise (Freidson, 1986). However, Albrecht (2006) defined the professional role in more personal terms as *situational awareness, presence, authenticity, clarity, and empathy*. Many of Albrecht's attributes that featured in the competency model in Chapter 2 can be classified as *soft skills*, indicating high degrees of socio-emotional intelligence, and are important in developing and sustaining professional relationships (Dittenhofer, Ramamoorti, Ziegenfuss, & Evans, 2010). Fundamental to professionalism are integrity, (including competence) and trust, which together capture the essence of all three models. Against this multi-dimensional taxonomy of professional, relational attributes, the following section examines the extant literature and research findings on audit relationships.

Audit Relationships: Many Roles and Many Actors

Several theoretical models, from the simple to the highly developed, have been put forward in the last 40 years to explain the nature of the auditor-client relationship. Each successive model has evolved to encompass diverse variables and to broaden the models' fields of application. In the simplest of relational models, the dependence model (Goldman & Barley, 1974), auditors design and supply audit services and the client exerts power by hiring and firing the auditor. In the economic model (De Angelo, 1981a), based on human motivational theory (Deci & Ryan, 2008), there is a hypothetical trade-off in auditors' minds between their independence and their loss of future income. Auditees try exerting power during negotiations by controlling the audit fees and future contracts (Acito, Hogan, & Mergenthaler, 2018). However, although market laws should motivate the auditors to remain independent (Watts & Zimmerman, 1981), without regulatory restrictions they might acquiesce to auditees' demands (Antle, 1984; De Angelo, 1981),

because of cognitive self-interest bias clouding their objectivity (Bazerman, Morgan, & Loewenstein, 1997; Moore, Tetlock, Tanlu, & Bazerman, 2006). As experience has shown, the USA needed to introduce the Sarbanes–Oxley Act of 2002 to regulate conflicts of interest and partiality when auditors engaged in substantial non-assurance services for their clients. In the next section, we interpret the audit relationship through social exchange theory.

Audit as a “credence good” where the auditor influences the “demand”.

Social exchange theory (Blau, 1964; Cropanzano & Mitchell, 2005; Thibaut & Kelley, 1959) captures the nature of the relationship, which is based on the transfer of professional fees and cooperation, in return for information, influence, and solidarity (Adler & Kwon, 2002). It also explains the dynamic quality of the interactions based on good communication between audit teams and client’s management, and mutual trust (Behn et al., 1997). It is argued that clients trust the audit services as “credence goods” (Dulleck & Kerschbamer, 2006, p. 5), which they buy on trust without checking the quality before or after the purchase (Causholli & Knechel, 2012). The socially constructed character of the service renders it unobservable, and its quality is assessable only by auditors (Holm & Zaman, 2012). Most unusually, however, in this unequal relationship, the auditor is also the assessor of the client’s audit needs. Moreover, it is argued that the new values, higher standards, and increased performance espoused by public sector audit increase the information asymmetry between the principal (stakeholders) and the agent (auditee), which creates the conflict that audit helps to reduce (Bendor, Taylor, & Van Gaalen, 1987). Reducing the information-gap involves providing a complete and “true picture” of reality, far beyond checking the truth and fairness of financial statements. Thus, the auditor and the client must work together to develop reciprocity in the relationship, with auditors having a duty to balance the needs of the many masters they serve:

what we’re struggling with in the audit industry is the masters we serve. All the theory will tell you we do it for the public interest, but now we’ve got to do it for the regulator...the managing partner...the client...the CFO...the director. It’s really a tough one to balance (ACCA, 2016, p. 25).

Therefore, one could conclude that the nature of the role and information provided is influenced by expectations of the parties. However, this model is somewhat limited in its dimensionality and mainly fails to represent the dynamic and multifaceted aspects of the relationship.

Role episode model (REM) and the auditor's "psychological life space".

Role theory and the REM put forward by systems theorists Katz and Kahn (1978) and Biddle (1979) provide a conceptually wider, transactions-based framework for understanding audit relationships. *Roles* or *role episodes* comprise the set of activities or expected behaviours that are determined and sent by the role senders (or influencers) to the focal person (the person influenced). They rely on scripts or structured behavioural patterns specifying behavioural events in a given context (Shank & Abelson, 1977). Therefore, the relationship is formed by these episodes into a continuous interdependent cyclical process that strengthens over repeated exchanges and feedback loops (Huang & Knight, 2017). It is argued that this process brings efficiency and effectiveness to organisations through dependable and predictable role behaviours (Stone-Romero, Stone, & Salas, 2003). The REM represents the auditor's "psychological life space", that is, "all the factors and forces, internal and external, which are impinging upon the auditor as he decides upon his actions...." (Kleinman & Palmon, 2001, p. 9). Its innovation is its conceptualisation of the intrapersonal, interpersonal, and interorganisational influencers in relationships and the complexity of repeated encounters. For instance, it takes account of the preferences, experiences, and contextual backgrounds of individuals and can also encompass the many professional roles auditors must adopt, depending on the work context and the assignment (Lapsley & Pong, 2000; Morin, 2003). Figure 3.1 illustrates the relationship concerning the ECA and the EC and shows that both auditor and auditee operate in a shared institutional environment where many external actors play a regulating and influencing role. In the following sections, these three dimensions of the audit relationship are examined by reference to previous research.

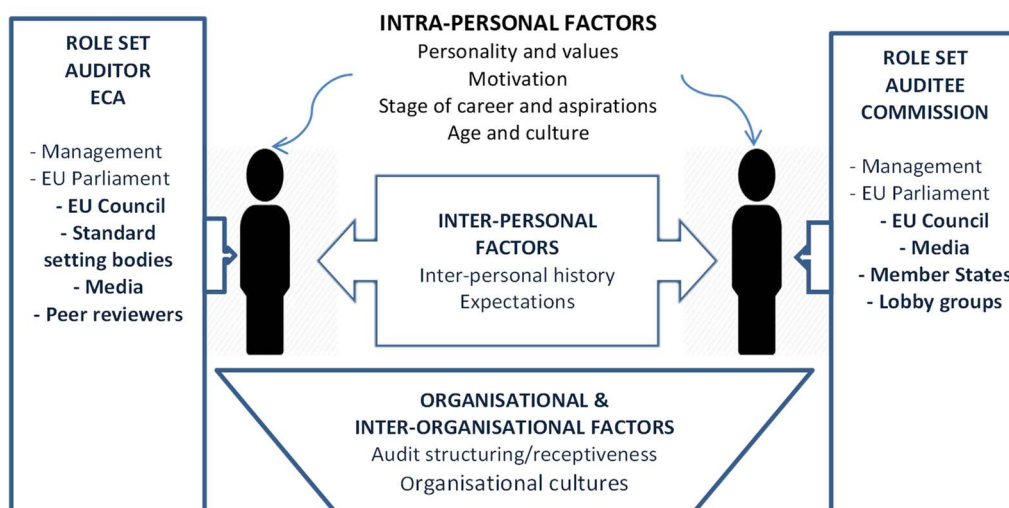


Figure 3.1. Role Episode Model of Auditor-Auditee Relationship.

Source: Based on Biddle (1979) and Kleinman and Palmon (2001)

Intrapersonal Factors

The individual differences of persons result from intrapersonal factors, such as personality type, values and motivations, and one's stage in life, aspiration level, age, and culture, which influence relationships to varying degrees. As each auditee is a unique point of contact for the auditor, it is essential to recognise the impact these intrapersonal factors may have on role behaviour and developing constructive and harmonious relationships (Dittenhofer, 1988). Two of the most salient referents in audit are ethics and work engagement. Ethical behaviour is mediated by one's value system and is the underlying driving force governing the entire audit process; this includes displaying professional competence, objectivity, fairness, impartiality, and truthfulness in reporting (Dittenhofer et al., 2010). Auditors have an ethical responsibility to add value to stakeholders and society through their work and to the auditee through recommended improvements. However, their ethical decision-making ability has been shown to lag behind that of other professionals due perhaps to their overriding compliance with professional auditing and accounting standards (Lampe & Finn, 1992). Nevertheless, they are strongly motivated by autonomy, dislike constraints on their professional judgement and freedom (Malos & Campion, 1995), and are driven by intrinsic or higher order needs (Dillard & Ferris, 1989).

Individuals can also vary in how they are physically, cognitively, and emotionally present or invested in the role. This personal engagement entails “the simultaneous employment and expression of a person’s preferred self in task behaviours that promote connections to work and to others, personal presence and active and full role performance” (Kahn, 1990, p. 700). Three psychological conditions have been identified as leading to engagement or disengagement: *meaningfulness* – the feeling of an adequate return for one’s physical, cognitive and emotional resources; *psychological safety* - the ability to act and express oneself without fear of negative consequences to one’s image, status or career; and *psychological availability* – having sufficient resources (physical, cognitive and emotional) to engage at a particular moment.

Interpersonal Factors

Auditors and auditees have behavioural options open to them as they interact, based on information about each other, the situation, and the social context. These options, which are similar to influence strategies used by managers – reason; coalition; ingratiation; bargaining; assertiveness; higher authority, and sanctions (Kipnis & Schmidt, 1982) – range from the consultant-like, friendly, facilitative approach, to the “cop-like”, formal and legalistic approach (Parker & Nielsen, 2011). Using these strategies leads to building interpersonal history, expectations, and behavioural patterns in the relationship. For instance, if the auditor acts suspiciously and uses controlling questions, the auditee may withhold information (Patil, Vieider, & Tetlock, 2014). Therefore, differences in expectations can lead to ambiguity, role incompatibility and role conflicts between the parties, which can adversely affect their behavioural options and thus their achievement of tasks (Otalor & Okafor, 2013). The following sub-sections examine four interpersonal factors crucial to the auditor-auditee relationship: independence, trust, professional scepticism, and good communication.

Independence.

A fundamental principle of audit is independence, both actual and perceived. Ricchiute (2005) contends that “independence is a state of mind – an attitude of impartiality (...) powerfully important to the profession’s reputation as a trusted player in

the market for services” (p. 36). The International Federation of Accountants [IFAC] states that “Independence enhances the auditor’s ability to act with integrity, to be objective and to maintain an attitude of professional skepticism” (2009, p. 84). Therefore, it can be assumed that a close relationship between auditors and auditees may affect the real or at least the perceived independent status of auditors. However, as auditor’s independence has both cognitive and emotional elements, auditors may experiment with different attitudes depending on the context of the audited entity. This context can reflect the balance between the auditors’ determination to achieve their audit objectives and the auditees’ desire (or need) to reduce the extent of the audit’s surveillance. Moreover, rather than an unconscious self-interest bias (Bazerman et al., 1997), auditors and auditees are partly aware of the “game” and the “micro-relational strategies” (Guénin-Paracini et al., 2015, p. 230) between parties. Therefore, absolute independence is unattainable and even undesirable, as “a certain degree of auditor dependence on the auditee is desirable and necessary” (Power, 2003, p. 99). I conclude, therefore, that independence is more about relations than regulation; it is “continuously negotiated and renegotiated in the field” (p. 229) and used as a source of power.

Trust and distrust.

If the audit relationship is to succeed, the parties must “identify with those who negatively identify with them” (Albrecht, 2006). This enigmatic assertion underscores the complexity of trust, whose antecedents include a broad range of cognitions, emotions, attitudes, and behaviours (Kramer, 1996). Trust is defined as:

the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, despite the ability to monitor or control the other party (Mayer, Davis, & Schoorman, 1995, p. 712).

For auditors, identification trust develops from having confidence in the other party’s predictability, shared values, motives, and intentions (Holmes & Rempel, 1989) and is based on three determinant factors: benevolence, integrity, and the competence of the other party (Abrams, Cross, Lesser, & Levin, 2003). The positive influence that trust has on relationships (Doz, 1996; Fisman & Khanna, 1999) reduces behavioural uncertainty and conflict (Luhmann, 1988), and therefore reduces the cost of delivering the service, to the

benefit of efficiency and performance (Fukuyama, 2014). It is perhaps not surprising then that auditing standards require that performance auditors inspire trust in auditees to convince them of the reasonableness of the audit conclusions and the usefulness of recommendations (Reichborn-Kjennerud, 2017). From the trustor's perspective, there is an expectations that the other will "protect the rights and interests of all others engaged in the joint endeavour or economic exchange" (Hosmer, 1995, p. 393) and that their "future actions will be beneficial, or at least not detrimental, to one's own interests" (Robinson, 1996, p. 576). However, whereas trust leads to cooperative actions such as information sharing (Kong, Dirks, & Ferrin, 2014), such actions must be at arm's length so as not to jeopardise auditors' independence (Fontaine & Pilote, 2012). Studies on audit relationships indicate that experience with the client and situational factors are more important for auditors in determining trust than dispositional factors (Shaub, 1996), although the personality of the client, the behaviours of management predict higher levels of trust (Nicholls, Gilbert, & Roslow, 1998). Therefore, shared interests in the joint endeavour engage trust.

Distrust is defined as the "expectation that capable and responsible behaviour from specific individuals will not be forthcoming" (Lewicki, Mcallister, & Bies, 1998, p. 439). It is argued that an accountability relationship is "premised on distrust, where the auditee is the object of the audit, and the focus is on accounting for the past" (Put, 2011, p. 90). Moreover, Luhmann (1979) argues that, when distrust is integrated within specialised roles (e.g., that of the inspector or auditor), it becomes depersonalised and professionalised; therefore, the existence of distrust (between auditor and auditee) contributes to creating trust (between auditee and stakeholder). However, this argument that accountability is based on distrust is misplaced, as auditee personnel are not the object of the audit but rather their management processes, decision-making, and information provided. Although the constructs of trust and distrust are mutually exclusive and positively and negatively correlated conditions, they are considered to have distinct origins and outcomes (Cacioppo & Gardner, 1993). To conclude, as the audit relationship involves a network of interactions with others in a single context, it is perhaps more appropriate to consider how we trust, and not how much we trust an individual or organisation (Gabarro, 1978). This aspect is now considered in exploring the construct of professional scepticism.

Professional scepticism.

Professional scepticism is considered as both a stable trait of auditors (Hurt, 2010; Quack et al., 2014) and a temporary state that varies with each unique situation. It is a multifaceted construct essential for high-quality audits (Hurt, Brown-Liburd, Earley, & Krishnamoorthy, 2013), comprising a questioning mind, suspension of judgement, the search for knowledge (Nelson, 2009), interpersonal understanding, autonomy, and self-esteem (Hurt, 2010). According to PA standard ISSAI 300 (INTOSAI, 2012):

It is vital that auditors exercise professional scepticism and adopt a critical approach, maintaining an objective distance from the information provided. Auditors are expected to rationally assess and discount their own personal preferences and those of others. At the same time, they should be receptive to views and arguments...in order to avoid errors of judgement or cognitive bias (p. 10).

Trust, distrust, and professional scepticism have been shown to be discrete constructs in the audit relationship (Lewicki et al., 1998; Rennie, Kopp, & Lemon, 2010; Rose, Rose, & Dibben, 2010). Unusually, identification trust and professional scepticism co-exist harmoniously with levels of trust positively related to clients' perceptions of their auditors' professional scepticism (Aschauer, Fink, Moro, Van Bakel-Auer, & Warming-Rasmussen, 2017). However, a fundamental concern for audit management is the risk that excessive familiarity and trust may impair auditors' independence and professional scepticism (Pollitt & Summa, 1997). Nelson, for example, from a financial audit perspective, takes a less neutral view, stating that professional scepticism is "indicated by auditor judgments and decisions that reflect a heightened assessment of the risk that an assertion is incorrect, conditional on the information available to the auditor" (2009, p. 1). Research supports the prevalent view in audit practice, though perhaps not among the general public, that professional scepticism is not an attitude of presumptive doubt but rather a neutral attitude (Rennie et al., 2010). Therefore, I would argue that the exercise of professional scepticism is not adversely affected by interpersonal trust, but rather trust reduces conflict, which renders the auditor receptive to alternative views and arguments.

Good communication.

Auditors and auditees identify communication in relationships as a vital component of auditor competence and a significant factor in effective auditor/auditee relations (Behn et al., 1997; Murray, 2013). However, the triadic relationship between auditor, auditee, and stakeholders also presents the possibility of coalitions between any two parties to the detriment of the third. A recent study examining auditors, company directors, and chief financial officers' perceptions of audit quality, found that all three groups ranked audit team competence and auditor/auditee interactions (formal and informal) before auditor independence (ACCA, 2016). In particular, they reported that "the value-add [of audit] is often about additional insights, particularly bringing what other players are doing that's different and perhaps might be better...So it's a process of improvement" (Director 3, p. 19). Therefore, the emphasis placed on auditor independence is perhaps overstated compared with the added-value that external insight brings, given that it is implicit in the definition of audit.

Finally, theorists argue that performance audit is a social influence process, beginning at the audit's announcement and continuing until the follow-up audit (Morin, 2001; Van der Meer, 1999). Research shows that how auditees judge auditors' social skills affects the impact of the audit (e.g., participative leadership style; collaborative; power relations; influencing style; open-minded; committed, and tolerant to criticism [Morin, 2001]). However, auditors must also understand important differences between individual auditees and groups so that their interactions are effective. For instance, the group's nominal leader may not be the actual leader; informal arrangements in the group may exert an important influence over the group, or the group could be influenced by a strong vocal minority (Dittenhofer, 1988). The next section reviews current understanding of interorganisational factors influencing the audit relationship, such as audit structuring and organisational culture, and the role played by cooperative and collaborative practices.

Interorganisational Factors

Audit structuring and organisational culture.

The role and influence of the two organisations can have a profound effect on the context and behaviour of the auditor-auditee relationship. Institutions consist of structural arrangements and rules of behaviour that orientate individuals' collective action (Giddens, 1984). These arrangements derive from the views of social actors who constantly validate and confirm these rules and procedures through their interactions. In this way, the organisation exercises control and defines the goals and the tasks of the auditor. Formal control arrangements called "audit structuring" describe how much the auditor's task-related behaviours are subject to formalised control, prescription, and restraints (Bamber, Snowball, & Tubbs, 1989, p. 286). Organisational culture, defined as "the collective programming of the mind, which distinguishes the members of one organisation from another" (Hofstede, 1991, p. 5) also exerts influence, by filtering information and potential choices about behaviour and providing scripts for social interaction. In accounting firms, it influences the socialisation process (Chatman, 1991) and is a greater limiting factor on the behaviour of senior management than formal audit process standards (Kleinman & Palmon, 2001). Therefore, as organisational structuring and culture are context-specific, they influence the extent to which a common relational model is generalisable across audit organisations.

Change through cooperation and collaboration.

Cooperation is described as an "informal relationship...without any commonly defined mission, structure or planning effort (where) information is shared as needed, and authority is retained by each organization, so there is virtually no risk" (Mattessich, Murray-Close, & Monsey, 2001, p. 60). Collaboration, on the other hand, moves organisations closer together into "a mutually beneficial and well-defined relationship entered into by two or more organizations to achieve a common goal" (p. 59). I argue that, whereas authority cannot be shared in an auditor-auditee relationship, the quality and impact of interorganisational and interpersonal relationships can be improved by recognising shared goals, clarifying roles and responsibilities, and cooperating in strategic work programming. For instance, private sector research indicates that, once the statutory

audit is of satisfactory quality, clients prefer a collaborative or social exchange relationship with their auditor, of sufficiently long duration, which provides information, based on trust and cooperation (Fontaine & Pilote, 2012). At an interpersonal level, audit collaboration involves convincing the auditee to participate, discuss, and give feedback regarding the audit process for the mutual benefit of both parties (Francis, 2011; Salteiro, 2012). In social constructivist terms, this is described as a “cognitive-coupling of repertoires” (Loocke & Put, 2011, p. 194), where “repertoires” are defined as “stabilised ways of thinking and acting” (Van der Meer, 1999, p. 390).

However, PA relations cannot be understood solely by the dyadic interactions at personal and organisational levels because the relationship is also mediated by parliamentarians and news media. For example, a recent study of Estonian auditees’ perceptions found that attention paid to audit reports by the media and subsequently parliamentarians, was a stronger influencer of improvements taking place, than the perceived usefulness of the audit (Raudla et al., 2015). However, in Sweden, where audit reports are not submitted to a public accounts committee of parliament, internal rather than external accountability pressures, encouraged changes by auditees (Carrington, 2017). Therefore, administrative accountability arrangements and third parties can have a significant moderating effect on interorganisational relations and their positive impact. To conclude, the REM provides a good basis from which to explore the auditor-auditee relationship in PA. It addresses the dynamic and multi-mediated character of the relationship and its environment. The following section examines the extant literature on performance audit.

Performance Audit: Studies of Conflict, Competence, and Compromise

Research, to date, primarily by audit practitioners, has focused on SAIs’ impact in improving accountability and management practices (Barrett, 2012; Bawole & Ibrahim, 2016; Etverk, 2002; Morin, 2001, 2003, 2004; Raudla et al., 2015), auditors’ accountability role and advisory functions (Lonsdale, 2008, 2011), independence and responsiveness (Lonsdale, 2008; Van der Knaap, 2011), and role conflicts (Alwardat, Benamraoui, & Rieple, 2015). More recent research on audit relations has focused on the impact of PA on the auditees’ identity (Justesen & Skærbæk, 2010) and role conflicts experienced by auditors (Alwardat et al., 2015). What is missing is an attempt to describe and understand

from a psychological perspective, the character of the relationships and how they are managed.

The relationship between the performance auditor and the auditee contains ambiguities and paradoxes, concerning, roles, competence, negotiation, and compromise. Performance auditors may adopt four separate roles, depending on their organisation's political, cultural, and institutional logic (Pollitt et al., 1999). The role of the *judge* focuses on compliance; the *researcher* generates scientific knowledge; the *public accountant* drives transparency, and the *management consultant* provides solutions. However, it is argued that performance auditors must not be just "passive agents" or verifiers but "active pursuers of efficiency gains" (Lapsley & Pong, 2000, p. 562). This approach emphasises the added-value of a more constructive, consulting-style auditing (Bellehumeur, 1993; Morin, 2003; Wagner & Malan, 1995), which relies more heavily on cooperation and consultation than on confrontation and control (Cutts, 1988; Mints, 1972). However, it is suggested that this desire to be responsive (Tillema & Ter Bogt, 2010), defined as a "willingness to listen to other parties and possibly incorporate their requirements and expectations into the design and implementation of the work" (Lonsdale, 2008, p. 228), can lead to tension with the institutional independence of the audit body. The advisor role may also fly in the face of some SAIs' institutional accountability position and judicial roles vis-à-vis other stakeholders (Barzelay, 1997; Morin, 2003). Despite the concerns expressed that the improvement agenda is incongruent with the accountability role (Put, 2011), theorists argue that public sector audit needs to emphasise learning in the audited organisations by promoting good and best management practices, so as to address the needs of their many stakeholders (Bovens, 2007; De Bondt, 2014; Gendron, Cooper, & Townley, 2007; INTOSAI, 2015; Lonsdale & Bechberger, 2011).

Having an accepted standard of competence in the expert area is one of the fundamental tenets of professions, including that of audit (Flint, 1988). Performance auditors frame themselves as experts and are expected to be competent in order to objectively assess the quality of data with certainty (Benford & Snow, 2000); yet, no relevant professional qualification exists in this field. Accordingly, the discretionary aspect of the PA process and its perceived lack of rigour compared to traditional assurance audits have led some to question its classification as an audit (Hicks, 2010). A recent study (Alwardat et al., 2015) into audit expectation-gap (Liggio, 1974; Otalor & Okafor, 2013)

found that, although auditors judged themselves competent, their clients, nonetheless, questioned their ability to assess intangible outcomes and values. Given that competence is a mediator of trustworthiness (Mayer et al., 1995), this “knowledge – power asymmetry” is perhaps a disturbing finding for audit professionals (Alwardat et al., 2015, p. 212), and one, which affects the audit relationship.

If PA is a social exchange and social influence process, then reciprocity must be present (Morin, 2001). The rule of reciprocity creates an environment where relatively small concessions can cause relatively large reciprocations (Cialdini, 2001). Auditors depend significantly on information from auditees to perform audits (Rennie et al., 2010). However, as the auditee is not merely a passive and cooperative supplier of information, auditors have to resort to strategising and negotiating to obtain documents and explanations (Guénin-Paracini et al., 2015). Therefore, by disclosing and conceding unimportant items to client management, auditors help create a collaborative negotiation environment. Although ideally, the best argument should persuade auditees to change, auditees expect to negotiate matters with their auditors to arrive at a consensual or at least a mutually satisfactory outcome (Stone-Romero et al., 2003). Organisations cannot function without some compromise that they skilfully identify and manage with integrity (Dare & Wendel, 2010). For instance, in financial audit, negotiations are common between auditors and clients regarding the audit opinion on financial statements (Gibbins, Salterio, & Webb, 2001; Salteiro, 2012; Wright & Wright, 1997). These negotiations can follow a distributive strategy, where parties seek to maximise their benefits, or an integrative one, where information about interests, goals, and limitations is shared, and trade-offs are created for high joint gains (Goodwin, 2002). However, empirical field research indicates that the negotiating goal of auditors is to protect their future relations with auditees (Guénin-Paracini et al., 2015). Nevertheless, adopting an integrative strategy requires a balancing act, involving operational and organisational independence. These conundrums of roles, competence, and compromise can create tension in relations between the audit body and its auditees. Against this backdrop, the study set out to examine what performance auditors seek to achieve and how they perceive their relationship with auditees.

Conceptual Framework

Audit, as a real-world phenomenon, supports the adoption of methodological pluralism (Power & Gendron, 2015) to allow for different types of error (Trochim, 2006) and diverse realities (Denzin & Lincoln, 2000). Congruent with this philosophy, the empirical study adopted a post-positivist approach, placing the research somewhere between symbolic interactionism (Study 1) and structural functionalism (Study 2). The theoretical framework of the REM was considered as a suitable basis on which to examine the auditor-auditee relationship, as it addresses the dynamic and multi-mediated character of the relationship and its environment. The positive psychological approach was adopted to interpret the study's findings because of its conceptual congruence with the overall research question (Peterson, 2009; Seligman, 2004). In characterising the positive potential of relationships, the study was informed by Peterson and Seligman's (2004) Values in Action (VIA) framework on strengths and virtues, defined as psychological attributes, owned or acquired and used by individuals in different situations over time. Study 1's inductive approach allowed participants the freedom to create their subjective, culturally derived reality of the relationship and to acknowledge their personal experiences and perspectives through interviews and thematic analysis (Guba & Lincoln, 1994). The qualitative methodology suited the exploration of a complex expert practice such as auditing (Cooper & Morgan, 2008) and the questioning of accepted norms (Burchell, Clubb, Hopwood, Hughes, & Nahapiet, 1980). These findings provided the scaffold on which to build the second study. Its purpose was to develop a generalisable, relational model, based on robust conclusions and findings derived from statistical analysis.

The rhetorical structure lay between post-positivism and constructivism and gave *voice* to the participants' experiences and reflections through extensive quotations, without making significant leaps of interpretation. Although some studies have examined the behaviours of auditors, few if any, have described and measured the relational constructs in the domain of performance audit. This research contributes to relationship literature by exploring the roles and processes at play in the relationship, and by developing and validating a psychometric scale designed to measure the adaptive characteristics of the relationship.

Study 1: Identifying Attributes of the Audit Relationship

The qualitative study focused solely on auditors' perceptions of the auditee-auditor relationship, to understand their perceived role and attributes. I explored the dynamics of the relationship between auditors from a supra-national organisation (the ECA) and their auditees (the EC) based on semi-structured interviews. The principal goal was to identify the constructs or attributes of the relationship that promote an optimally functioning audit process from the auditor's perspective, by addressing two central research questions:

1. What do performance auditors understand to be their role?
2. What psychological assets do they employ in the auditor-auditee relationship?

Method

Participants

A convenience sample of eight experienced performance auditors in the ECA was selected to reflect the gender and cultural and professional experience of its performance auditors. The aim was not to establish a representative sample but to identify key individuals with significant and information-rich, content-specific knowledge and expertise (Patton, 1990). This sample size was in line with the recommended number of participants of three to ten for phenomenological studies (Creswell, 2014) and six to eight when exploring common perceptions and experiences of a homogeneous group (Storey, 2007). The two female and six male participants were of Austrian, Belgian, British, Finnish, German, and Irish nationalities. The group had a mean age of 56 years ($SD = 3.72$), a range of 11 years ($SD = 3.85$), mean years of service of 22 years ($SD = 3.85$), and a range of 13 years (see Table 3.2).

Table 3.2

Interview Participants' Characteristics

| Participant | Role | Age | Length of Service | Nationality |
|-------------|--------------|-----|-------------------|-------------|
| Frederick | Head of Task | 61 | 29 | German |
| Joseph | Head of Task | 52 | 16 | British |
| Mark | Manager | 50 | 23 | Belgian |
| William | Manager | 59 | 24 | British |
| Johan | Head of Task | 59 | 24 | Belgian |
| Mary | Manager | 55 | 24 | Irish |
| Frida | Head of Task | 57 | 20 | Austrian |
| Oscar | Head of Task | 56 | 20 | Finnish |
| | | 56 | 22 | |

As the participants had different cultural backgrounds, it was anticipated that their interaction processes would most likely be subject to a degree of cultural differentiation (Sułkowski, 2017). However, owing to their significant length of service in the ECA and their professional training and audit experience, they were considered as encultured in the organisation and forming a professionally homogenous group (Suvarierol, 2008). I also considered that the auditee-auditor relationship would be like those of other such auditors internationally. First, because audits are generally conducted in accordance with internationally accepted auditing principles and practices, and second, on the basis that the relational constructs would derive mainly from the activity itself (and not the specificities of the ECA's context), as indicated in previous comparative research (Lonsdale, Wilkins, & Ling, 2011; Pollitt et al., 1999).

Materials

The interview questionnaire protocol consisted of a mixture of 14 open and closed questions to gather general information about the relationship and obtain specific examples that illustrated the character of relations (see Appendix G). An analysis of the extant literature informed both the research questions and the interview protocol.

Procedure

Semi-structured interviews were conducted on a face-to-face, one-to-one basis in participants' offices. They were audio-recorded and fully transcribed. Each participant was provided with the interview questionnaire some days before the interview. The constructs and dimensions underlying the interview protocol were not disclosed, to mitigate socially desirable responses and to allow participants express themselves fully (Podsakoff & Organ, 1986). Instead, I informed participants that the study was an exploration of a good working relationship between auditors and auditees in PA. The interviews began with an open discussion on general features of the relationship. The closed questions encouraged participants to provide precise answers to questions where previous research had indicated defining or crucial issues. The open questions permitted participants to explore topics more widely. Participants could discuss issues as they saw fit and the majority elaborated on both closed and open questions.

The ethics review committee of the university granted written approval for the study (see Appendix H). Participants were given introduction letters beforehand, informing them that the interviews should take between 45 and 60 minutes that they could withdraw from the study at any time without redress, and could decline to respond to specific questions (see Appendix I). They were also given a written commitment that their participation and personal contributions would not be disclosed in the research write-up or to anyone other than myself and my supervisors, both during and after the research. Informed consent, including permission to digitally record the interviews, was then received in writing. The verbatim interview transcripts did not record the respondent's identity, and all data analysis was performed and stored confidentially. I gave a commitment that the dataset would be deleted according to the time limits stipulated by the university's guidelines on research. Following the interviews, participants were provided with an interview-debriefing sheet explaining the study and the contact details of myself and the supervisor, if they had questions about the study.

I performed a thematic analysis of the interview transcripts in stages with data collection and analysis undertaken concurrently (Banister, Burman, Parker, Taylor, & Tindall, 1994). I read the interview transcript twice and chunked it into segments of text or meaning units reflecting distinct phenomena. I then entered the chunked text into an Excel template, with a separate sheet for each interview question, recording in four columns: the

participant identifier, the question number, the transcript texts, and the initial codes. This process provided a clear audit trail of evidence (Creswell, 1998). I then open-coded the text by applying initial codes (1 – 3 descriptive words) to each data item (segments of text) reflecting the meaning of the phenomenon (Braun & Clarke, 2006). The academic supervisor reviewed the coding and analysis. Data saturation was reached after the eighth interview when no new issues of significance arose (Guest, Bunce, & Johnson, 2006). Through a further reading of the data, with reclassification and refining, I reduced 606 coded chunks to 55 sub-themes. These were then grouped into eight categories with shared defining characteristics and a category name, and refined into six over-arching themes encapsulating the categories and their meanings from across the dataset (see Table 3.3).

Table 3.3

Sub-themes, Categories and Themes

| 55 sub-themes | No. items | 8 categories | 6 themes |
|------------------------------|-----------|------------------------------|--|
| independent | 48 | Independence | INDEPENDENCE of the auditor’s judgement is the essence of auditing |
| impartial | 20 | | |
| scepticism | 13 | | |
| truth | 7 | | |
| discerning | 1 | | |
| Breadth of competence | 43 | Competence | COMPETENCE: Auditors’ professional competence should be appropriate |
| expertise | 17 | | |
| skills and ignorance | 5 | | |
| openness | 23 | Positive personal attributes | POSITIVE PERSONAL ATTRIBUTES of integrity, trust, and openness |
| communication | 19 | | |
| receptiveness | 10 | | |
| serious person | 8 | | |
| empathy | 7 | | |
| transparent | 7 | | |
| open-minded | 3 | | |
| frustration | 3 | | |
| feeling | 2 | | |
| trust | 14 | Trust | |
| personal interests | 9 | | |
| trust – consistency | 6 | | |
| trust and openness | 6 | | |
| trust – competence | 5 | | |
| trust - individual behaviour | 3 | | |
| trust – professional | 3 | | |
| trust – behaviour | 2 | | |
| trust from the top down | 2 | Collaboration | |
| trust earned | 2 | | |
| trust and prejudice | 1 | | |
| trust from bottom-up | 1 | | |
| collaboration | 26 | Collaboration | COLLABORATION is at times constrained by incompatible roles and the need for trust |
| shared goals | 13 | | |
| reciprocity | 13 | | |
| sharing | 3 | | |
| changing minds | 33 | Positive change | POSITIVE CHANGE is possible by both parties focusing on the big picture in collaboration |
| culture | 19 | | |
| altruistic | 18 | | |
| big picture | 11 | | |
| cooperative/ altruistic | 10 | | |
| change | 8 | | |
| “come for hunting” | 7 | | |
| oversight and insight | 3 | | |

| 55 sub-themes | No. items | 8 categories | 6 themes |
|-----------------------|--------------|--------------------------|--|
| compromise | 25 | Tactics | FAIRNESS of treatment of audit matter and individuals |
| resistance | 17 | | |
| professional respect | 16 | | |
| defensive | 14 | | |
| fair | 5 | | |
| deception | 3 | | |
| conflict | 3 | | |
| gamed | 3 | Contextual influences | |
| balanced | 2 | | |
| roles | 25 | | |
| media as influencer | 7 | | |
| stakeholder relations | 5 | | |
| non-unified auditee | 5 | | |
| respect | 1 | | |
| Not applicable items | 21 | | |
| Total items | 606 | | |

To indicate the prevalence of themes in the overall material, the guidelines of Hill, Thompson, and Williams (1997) were applied using frequency labels. The term *general* was used to indicate a reoccurring theme (or all but one); *typical* indicated themes in half or more than half of cases, while *variant* indicated themes in fewer than half of cases. Figure 3.2 illustrates the analysis process.

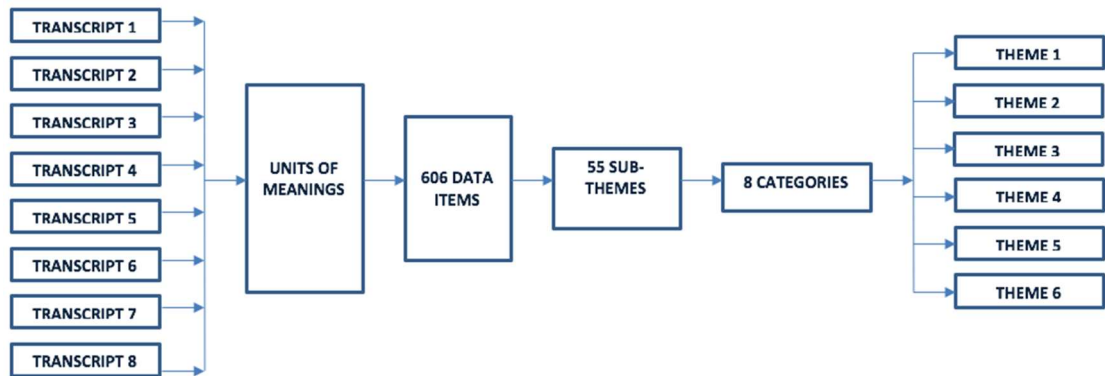


Figure 3.2. Thematic Analysis Process.

Results

The analysis generated six main themes representing the principal focus of auditors in their relationship with auditees. As well as the constructs, the data also highlighted four principal behaviours of auditors during the planning, conducting, reporting, and feedback stages of an audit. These were: negotiating, collaborating, assessing and judging, and influencing. The thematic constructs are now described with illustrative examples from the data.

Theme 1: Independence of the Auditor's Judgement is the Essence of Auditing

Independence was articulated on two principal dimensions: being independent of the auditee and to a lesser degree of senior audit management. Participants considered themselves independent of the auditee by their role and function, which was underlined by their integrity and reinforced by a similar expectation of auditees. *Typically*, an antecedent of this perceived independence was participants' ability to be impartial and neutral in their relations with the auditees, described as having: "no particular axe to grind" (Mary, p. 5). They achieved this impartiality through different means: measuring performance against agreed criteria, letting the figures and data reveal the story, not critiquing policy, and keeping a natural distance from the auditee. Recurrent changes to audit teams also safeguarded independent judgement, as did the high-level audit judgements, and the hierarchical supervision of work, inhibiting partisan decision-making from taking place.

In the complex world of socio-economics and performance measurement, when it came to judgement, participants saw "room for manoeuvre in how to see things" (Frederick, p. 46). Moreover, as audit conclusions are based on persuasive rather than conclusive evidence and findings, compromise and discretion in the interpretation of findings were possible, through the exercise of professional judgement. Most times, the auditors' judgement requires them to strike a balance in their assessment of different management or programme objectives that conflict with another (Pollitt, 2018). Therefore, independence did not diminish the need to be open, to listen to auditees, and be empathetic to their concerns. Further, by involving stakeholders (including auditees) in the audit, the risk of partiality in audit judgements reduced.

Theme 2: Auditors' Competence Should be Appropriate and Fairly Recognised

Generally, participants believed their professional competence should be commensurate with the task and be fairly recognised by both auditee and audit management. In this respect, they differentiated general competence in audit theory and practice from project-specific or context-specific competence. They emphasised that PA was a learning process for both auditee and auditor and regarded themselves as competent generalists who learned and acquired expertise by doing: "Sometimes we don't know. We know the Commission needs to improve something, but we don't know how it should improve it". (Mary, p. 4). Although they were not subject-matter experts, they considered that the audit team should demonstrate its ability to understand the essentials of the assignment, particularly in politically or operationally sensitive areas. The auditees' perception of their knowledge and skills affected the relationship and their credibility in management practice. Here, showing humility and honesty rather than "authoritative bluffing", and not competing with auditees on knowledge, were important: "Humility is key of course; you have to be humble. It's key. Humility but nevertheless independence" (Mark, p. 81).

Theme 3: Integrity, Trust, and Openness: Positive Personal Attributes.

The theme of positive personal attributes brought together many socio-emotional sub-themes. *Variantly*, participants expressed integrity by being: "a serious person, really looking for the truth, for positive aspects, for contradictory opinions of all the stakeholders involved" (Frederick, p. 43). Providing transparency and clarity from the start, about the powers, responsibilities and commitment levels of each party in the audit relationship (i.e., who could promise what to whom) was an important baseline in establishing and maintaining this integrity.

Participants *generally* regarded trust as a personal, dispositional characteristic of trustworthiness that was an important part of one's integrity and as mutual trust. The latter is an interrelational construct that develops at the audit planning stage, where the auditor negotiates the relationship based on professionalism (integrity and competence) and respect. A crucial element of trust (both personal and mutual) was justifying to the auditee why the audit was taking place. Here, transparency of the auditors' motives and intentions through sharing information about the audit process was crucial in reducing fear and

resistance: “play with open cards, no surprises” (Oscar, p. 20). They considered professional scepticism as a situational judgement the auditor was required to exercise by remaining sceptical about the facts until they were verified with sufficient and reliable audit evidence. Although one might intuitively imagine professional scepticism and trust to be diametric opposites, one could trust the auditee and their behaviours while disputing the issues under discussion:

The surface might look smooth, but then you find a lot of things underneath. (Joseph, p. 70); I would put together, all these different things we were told by the Commission, by the delegation, by the programme manager ... by the beneficiary and see does it make sense (Mary, p. 2).

Being open-minded, honest, and constructive encouraged a receptiveness to change in the auditee. Good communication and exchanges in the framing and contextualisation of the main audit question were sometimes needed to allay auditees’ resistance to the audit when the audit objective and main audit questions appeared negatively oriented to uncover poor performance from the outset. For instance, the auditor’s use of terms such as “embarrassing mistakes” and “book of evidence” (Joseph, p. 66) led to entrenched and defensive views from auditees, even in the face of logic and rationale.

Typically, participants felt the national culture of auditors mediated audit relations in the team and with the auditee. For instance, “I’m an auditor, therefore, I’m the king, and they have to obey” (Frida, p. 27) could be one cultural interpretation of audit independence that adversely affected the formation of a constructive and open relationship with auditees. Cultural norms also affected team members’ ability to work together coherently: “It didn’t work at all. They (the team members) were so hugely un-responding, under-interacting. I had to intervene and go (on audit) myself” (Johan [speaking as audit team-leader], p. 40).

Theme 4: Fairness of Treatment of Audit Matter and Individuals

Participants suggested that the audit organisation had a natural predisposition in how it saw things and how it set the questions to be examined: “how your mind is already set beforehand to a certain extent determines the approach and the time you spend on particular issues” (Frederick, p. 46). Therefore, an audit might have a positive or negative orientation as its starting point, depending on the message senior management wished to

deliver. However, consistency in behaviour and judgement, facilitated by stable audit teams, also contributed to the perception of a fair process.

At the audit planning stage, the parties initially negotiated the relationship based on the importance of the subject-matter, and previous personal histories between them and their divisions. Participants *typically* showed sensitivity and empathy regarding the constraints facing auditees. Although the evidenced facts were not negotiable, interpretations on the weight given to these facts, and their contexts were amenable to auditees' counter-arguments. This *accommodation* perhaps takes account of the EC's difficult position of having to negotiate changes in controls and reporting arrangements with the Member States (who are responsible for implementing the majority of the EU budget), while at the same time; defend its management actions before the European Parliament and the Council, in response to negative audit reports. Therefore, later during the arduous audit approval process, the auditor needed to be flexible to keep the process moving and get the report through to publication. "It's (negotiation) for facilitating but not changing your key message, your replies, your questions" (Johan, p. 89). Ideally, one would build the "balance" into the audit reports up front while "rounding the angles" at the last reporting stage: "I have a particular threshold whereby I can say, let's polish; but if the threshold is exceeded I have a problem at all levels" (Johan, p. 34).

At the reporting and feedback stage of the audit, the formal audit process (prescribed under legal regulations) provided for an *adversarial procedure* with auditee management during which draft texts and replies thereon were exchanged. This process culminated in a formal meeting during which reciprocity and counter-measures often occurred between the parties. Here, participants explained that proceedings took on an interinstitutional dimension, with each word changed in a report (audit findings or auditee replies) considered as a minor or significant concession affecting one's current and future potential audit positions. Some participants, however, thought senior audit management was too tolerant of dissent by the auditee regarding audit findings and recommendations, due perhaps to a wariness of criticism of the institution and its audit work. This situation was said to sometimes lead to an unnecessary compromise, with the intransigent auditor, considered the *bad guy*. They believed that both sides had to be aware of the boundaries and the possible consequences of actions taken (e.g., retaliation in published replies of the auditee or counter-replies by the audit body in the report). However, ultimately, the

auditee could not be coerced into agreeing with findings or recommendations through the exercise of authority by the audit body. As regards the institution publishing counter-replies to the auditee's replies, one participant aptly remarked: "this is the gun you have in your pocket ... but you cannot use the gun all the time. It's an exception, and it has an impact on your relations afterwards" (William, p. 88).

Theme 5: Incompatible Roles and the Need for Trust and Collaboration

Despite the constraints on full collaboration, opportunities for reciprocity and the sharing of information and goals featured as sub-themes in the interviews. Sharing data and knowledge acquired during an audit and facilitating auditee's learning was acknowledged as an extra role of the audit body:

instead of us always listening to them and trying to take things and information from them, here ... we have information, which they would like, and we're able to provide them with some real added-value (Frederick, p. 69); we were able to show them that through this work that we've done, we're able to tell them things that they didn't know; things that their own staff were saying (Joseph, p. 71).

Typically, participants suggested that it was useful discussing draft recommendations with the auditees to avoid surprises or fundamental disagreements in the auditee's formal replies to the draft report. Some proposed collaboration techniques included, role switching, or playing *devil's advocate*, when discussing the merits of audit recommendations. These techniques introduced realism and perspective-taking into the process and changed the focus to collaborative innovation (De Dreu, Weingart, & Kwon, 2000; Parker & Axtell, 2001) and knowledge-sharing behaviours (Bartol & Srivastava, 2002). The acceptance of the auditee as a collaborative "player inside" (Joseph, p. 82), however, inserted a new dimension of trust in the relationship. One had to be careful it was not a ploy to deflect auditors' actions and *game* the auditor by deception or uncooperative ruses. Participants also felt curtailed in their ability to be open with auditees in the final reporting stage, as early disclosure of audit findings might lead to corrective actions by auditees and adversely affect the report's impact during parliamentary hearings and in the media. Ultimately, collaboration and the frank flow of information with the auditee had to stop at some point.

The critical audit results in published audit reports (and their presentation to a parliamentary oversight body) prevented PA from being an open and participative process. In addition, participants submitted that the lack of collaboration was often due to auditees being overly defensive and not wishing to interact and step forward. Nevertheless, it was possible to achieve auditees' commitment by giving them a voice through their inclusion in focus groups, or through direct discussions when drafting recommendations. However, pushing positive messages sometimes contradicted the audit body's exercise of power through its published reports and media press statements: "we give them a sweet with one hand, and then we kick them as hard as we can on the other side" (William, p. 89).

Theme 6: Positive Change When Both Parties Focus on the Big Picture

The interorganisational relationship between the ECA and the EC was not the focus of the interviews. However, its influence underpinned participants' responses reflecting the perceived roles and dynamic cultures of the organisations and the practices and conventions that had developed over the years. These relations were complicated by the auditee (the EC) not being a unified entity but rather a group of Directorates-General, with distinct identities, personalities, histories, and reputations. In areas of the EU budget, where management responsibilities were shared with the Member States, the dyadic auditor-auditee relationship sometimes became triadic, with the Member State authorities exerting pressure on the auditee to fend off increased monitoring and reporting.

Generally, participants expressed a strong benevolent motivation in their work - they wanted to make a positive difference; a positive impact on the financial management and accountability of institutions regarding EU finances and programmes. Contrary to experiences, where auditors felt pressured to find errors (otherwise known as a *cop mentality*), in the PA relationship, auditors did not "come for hunting" (Mark, p. 81). Instead, they aimed to recommend improvements: "part of the confidence, part of the trust, and transparency is that you're fair; you don't come for hunting, but you come for reaching good conclusions and recommendations leading to progress" (Mark, p. 87). Nevertheless, some struggled to manage the role of an instigator of positive change in the face of auditees' resistance to their findings and conclusions: "is there something we could be doing to help change their point of view; why do they see us as undermining them when we see ourselves as strengthening them?" (Joseph, p. 77). One solution cited was where

the auditee had already begun carrying out improvements, and the audit report encouraged rather than criticised the weakness: “push in the back rather than a knife in the back” (Johan, p. 41).

There was also disagreement among participants on the role of publicity in audits; some believed that publicity was a necessary part of promoting change, while some argued that it was used to derive political influence from audits. In the latter case, they believed that the irresistible attraction of the media “light bulb” had little to do with the impact of reports and audit work: “it’s that bulb, it’s irresistible (to the moth), but it has probably nothing to do with real impact” (Joseph, p. 77). The constant reporting of management weaknesses and wasteful expenditure in the media was considered as adversely affecting the auditee’s ability to improve and develop trust between stakeholders, including the EU citizen:

Yes, it comes from the organisation I think, from Van Rompuy (former President of the Council of the EU) when he made that speech to the ECA saying “be easy on the Commission if you want the EU to function better”¹ (Joseph, p. 66).

Overall, the study heightened self-awareness and self-knowledge by auditors regarding relational processes in auditing, and how they believed they and their actions were perceived by their counterparts. In the next section, these themes are discussed, and how they merge to form a picture of performance auditors and their working relations.

¹ “But given this media handling of information, and its impact on public opinion in some countries, the Court might want to give some further thought as to how it can encourage more nuanced media reporting. It’s important that citizens can have the whole picture, with all its nuances.” (Speech extract of President Van Rompuy, European Court of Auditors, 2013).

Discussion

The study focused on the experiences and representations of performance auditors in their relationship with auditees. Through thematic analysis, six themes were developed from the interview data (independence, competence, positive personal attributes, fairness, collaboration, and positive change) and four principal behaviours (negotiating the relationship, collaborating, assessing and judging, and influencing). This section addresses the two research questions by integrating participants' understanding of their role and the psychological assets they use in the relationship.

The Auditor's Psychological Assets

The six main themes or constructs resulting from the analysis can be regarded as the *psychological assets* or indicators of positive psychological functioning that auditors employ in the relationship (Boehm et al., 2015). Rather than regarding the constructs as merely discrete phenomena, I sought to take a “more comprehensive and macroscopic view of possible links” to develop a meaningful relationship model of the constructs while remaining consistent with the accounts of the participants (Amabile, Schatzel, Moneta, & Kramer, 2004, p. 22). Although the REM proposes a clear delineation between intrapersonal, interpersonal, and interorganisational relational factors, the differentiation between them can be somewhat ambiguous at times. Factors such as trust, independence, integrity, and openness can have both dispositional and contextual dimensions. For this study, however, the term psychological assets refers to contextual interrelational behavioural orientations of the auditor, and not individual differences. The constructs build the relationship from the bottom-up, starting with the fundamental characteristics of auditors (independence and competence), on which the specific positive personal attributes (PPA) of integrity, trust, and openness depend, to be successfully and effectively deployed. Table 3.4 describes these assets and their behavioural characteristics.

Table 3.4

Performance Auditors' Psychological Assets

| Themes – Auditors' psychological assets | Sub-themes |
|--|---|
| 1. Independence of the auditor's judgement is the essence of auditing | Discerning, impartial, independent, scepticism, truth |
| 2. Auditors' professional competence should be appropriate | Breadth of competence, expertise, and skills |
| 3. Integrity, trust, and openness of mind and behaviour as positive personal attributes | Serious person, communication, empathy, feeling, frustration, open-minded, openness, receptiveness, transparent |
| 4. Fairness of treatment of audit matter and individuals | Media as influencer, non-unified auditee, professional respect, roles, stakeholder relations, balanced, compromise, conflict, deception, defensive, fair, gamed, resistance to judgements |
| 5. Collaboration is at times constrained by incompatible roles and the need for trust | Collaboration, reciprocity, and shared goals |
| 6. Positive change is possible by both parties focusing on the big picture in collaboration | Altruistic, big picture, change, changing minds, come for hunting, cooperative/altruistic, oversight and insight |

While performance auditors might have integrity and a spirit of openness and trust, they cannot effectively function and establish relationships if they lack independence and competence. Similarly, I suggest that the triad of independence, competence, and PPA is a prerequisite for fairness to emerge in auditors' judgement and behaviour, and that fairness is necessary for collaboration to take place with the auditees in identifying solutions, which ultimately lead to positive change. Therefore, deployment of each successive building

blocks in the relationship is necessary to increase the sophistication and maturity of the relationship, culminating in goal achievement, which is improving financial management and accountability through positive change (Figure 3.3). However, although this ordinal relationship of the constructs emerged from the interviews, it could be argued that fairness and the PPA of integrity, trust, and openness should be parallel rather than hierarchical. For instance, Peterson and Seligman (2004) depict fairness as a personal virtue. It could also be argued that fairness is a manifestation of the auditor's competence. In both these instances, fairness is regarded as dispositional. However, auditors described fairness as being more contextual; a behaviour required by the standards that produced a balanced presentation of the findings in the audit report. Therefore, it related to how they analysed the evidence and interpreted the facts, given the greater complexity of performance audit. Each of these themes or assets is now individually analysed.

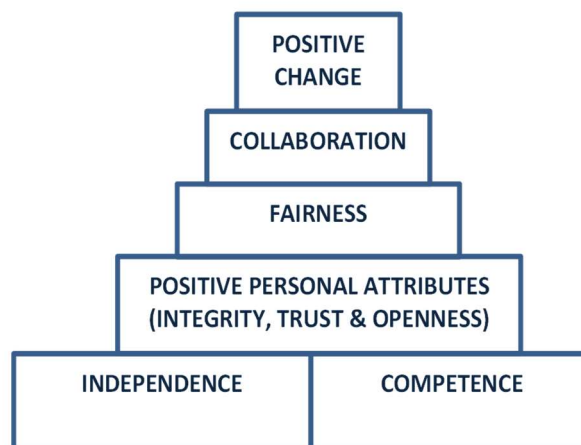


Figure 3.3. Hierarchical Representation of Auditors' Psychological Assets.

Auditors' **independence** of actions and judgement forms the bedrock of audit. It confers on it a unique value, which is reinforced by the permanent official status of the auditors. Therefore, no trade-off is necessary between tenure, non-assurance services, and independence (Moore et al., 2006). Although independence is considered a state of mind and an attitude of impartiality, some auditors considered it more an attribute of the institution than of the auditor (Ricchiute, 2005). Independence derived from the legislation

was expressed through the institution's relations with stakeholders and the exercise of its powers of inquiry and publication (Guénin-Paracini et al., 2015). Their professional judgement was not independent of audit management but, instead, reflected their integrity as auditors. Similarly, externally, auditors displayed this independent role through their integrity in dealings with auditees, which was enhanced by the perceived independence of the institution (IFAC, 2009). An unexpected finding was that auditees' involvement as *role sender* or influencer in the audit process was not considered a threat to their integrity, but rather reduced the potential for partiality, by encouraging auditors to be open and empathetic to management's concerns. In addition, senior audit management's involvement in the audit process at an early stage reduced the risk of its unhelpful influence later at the reporting stage.

Although participants acknowledged the need for audit **competence**, remarkably, a lack of subject-matter and management expertise was not considered a hindrance to the quality of their audit relationship, once it was openly acknowledged. However, the justification given, that such audits are a learning exercise for both parties, can lead to an expectations-gap on competence (Alwardat et al., 2015; Otalor & Okafor, 2013). Ultimately, such divergence could cause ambiguity and role conflict that risk undermining the credibility and authority of the process and the relationship (Katz & Kahn, 1978). I suggest that this apparent knowledge-power asymmetry resolves itself during the final *adversarial* stages of the audit when audit conclusions are being finalised. Recent empirical research on industry expertise of audit partners in Spain has supported this study's finding, indicating that a lack of industry specialisation by partners did not affect audit quality (Garcia-Blandon & Argiles-Bosch, 2018). However, this aspect merits greater examination in future research.

Integrity, trust, and openness of mind and behaviour were all positive attributes considered as necessary for good relations with auditees. Impartiality, as a crucial component of integrity, had to be strived for as part of auditors' professional judgement when assessing the audited entity's performance. An essential element of openness was transparency and clarity from the start, about the powers, competencies, responsibilities and roles of each party, to reduce the possibility of role conflict arising from ambiguities and unmet expectations. This finding supports the view that disclosure is the most important mechanism for strengthening relationships (Altman & Taylor, 1973); and is

similar to openness and clarity in Albrecht's (2006) professional role dimension of *authenticity*. As imagined, auditors did not blindly trust the information and representations made without critically establishing its veracity, in line with the requirement of professional scepticism. They did, however, trust the auditee as an individual, based on experiences. Through their recounted episodes, participants stressed the need to inform and educate auditees and stakeholders of the purpose and procedures of the audit engagement. However, the responsibility of senior audit and auditee management to establish trust between organisations was also stressed. This finding acknowledged the influence that organisational *power distance* (Hofstede, 1991) and "audit structuring" have on the audit relationship (Bamber et al., 1989, p. 286).

In a relationship founded on judgement and accountability, auditors considered **fairness** in their treatment of audit matters and individuals as most relevant to their relations. However, whereas Hoffmann (1982) considered fairness as a dispositional tendency, auditors did not believe it to be solely a personal attribute, but one permeating the behaviours and judgements of all parties. These behaviours ranged from the positive or negative orientation of the audit, to the tone of language defining the audit hypothesis, to interpreting the findings, their reporting, and the replies of the auditee. In this context, the expectation to act fairly, described as "procedural fairness" (McAuliffe, Blake, Steinbeis, & Warneken, 2017, p. 7), reflects the degree to which the decision-making process is fair (Bosse & Phillips, 2016), the opinions of others have been considered, the judgements are consistent, the information accurate, and poor decisions have the possibility to be corrected (Colquitt, Conlon, Wesson, Porter, & Yee, 2001). I would argue that this emphasis on fairness also reflects the interpretative quality of PA, its "persuasive" evidential basis, and the requirement that auditors consider "the perspective of the audited entity" when concluding their findings (INTOSAI, 2015, p. 17). Similarly, perspective-taking makes the auditor receptive to diverse perspectives, and new information and ideas (De Dreu et al., 2000). It is no surprise then that the perceived usefulness of such audits by auditees is influenced by how their comments are taken on board during an audit (Reichborn-Kjennerud, 2015). For participants, however, fairness depended on several other factors: the values and personality of the auditor and the auditee, the criticality of the subject being assessed, the opinion of senior management, and the interests and pressure sometimes exerted by other stakeholders on the auditee. Although they were pragmatic in their

discussions on their findings, they also had a *red-line* dictated by integrity that they could not cross. The overriding motivation or goal, however, was to produce a balanced and fair, evidence-based opinion of performance. Whereas some research indicates that male auditors have lower ethical standards than their female counterparts, this aspect did not feature in the data (Emerson, Conroy, & Stanley, 2007; Hottegindre, Loison, & Farjaudon, 2017; Karacaer, Gohar, Aygun, & Sayin, 2009; Schaefer & Welker, 1994).

Collaboration with the auditee was hesitantly acknowledged by participants as a legitimate behaviour but only where trust existed (Rousseau, Sitkin, Burt, & Camerer, 1998). The auditors did not see the two organisations as sharing mutually beneficial goals and moving closer in a well-defined relationship. The reasons for this are multi-fold. First, participants suggested that auditees often had a defensive and wary mind-set, owing to adverse publicity from earlier audits. Second, they felt that accepting the auditee as a collaborative “inside player” inserted a new dimension of trust that risked them being *gamed*, thus impinging on their professional integrity. It also placed the credibility of their independence at risk when their actions might be construed as “proactive consultancy activity” (Gendron, Cooper, & Townley, 2001; Skaerbaek, 2009, p. 986). Therefore, they suggested that collaboration had to stop at some point in the audit to protect the integrity of the process. However, participants’ generally confined their discussions of collaboration to existing audit processes and did not visualise partaking in non-audit collaborative activities.

Finally, the attribute, seeking **positive change**, captured the higher order goal of seeking improvement or betterment for the other, where participants desired to improve things and not increase the damage. Studies have confirmed this orientation, showing that public employees seek to serve the public and invest time and energy to achieve a prosocial impact (Caillier, 2016; Grant, 2008). However, the application of these six relational constructs by auditors does not automatically lead to a transformation of the audit process. Two critical barriers stand in the way. First, public and accountability authorities expect that where an audit identifies deficiencies, changes to regulation and practices should automatically take place (Morin, 2008). However, studies show that auditees’ positive appreciation of an audit does not necessarily translate to improved organisational performance (Raudla et al., 2015; Tillema & Ter Bogt, 2010). Second, if PA is about changing management culture, additional measures are needed to reduce

auditees' defensiveness, and share the bigger picture by welcoming constructive criticism and potential solutions. This change, however, also requires an initiative at the interorganisational level, as without commitment from top auditee management, change at managers and auditors' levels was doubtful, as operational and policy goals were unlikely to coincide.

Contextually, the assets need not be always applied, only where they are most relevant (Schwartz & Sharpe, 2006). In addition, although research supports their influences on such audit processes (Alwardat et al., 2015); it is impossible at this level of analysis and in this context to isolate and assess their contributions or determine causal attribution. However, it can be hypothesised that having or applying more of an asset does not necessarily result in a better outcome. Most likely, a satiation point exists beyond which, having and applying such assets or strengths gives reduced or no extra benefit to performance (Harzer & Ruch, 2013; Peterson & Seligman, 2004). Therefore, it follows that applying an excess of independence, integrity, trust, empathy, or fairness as an auditor could result in an inverted U-shape relationship (Yerkes & Dodson, 1908), leading to suboptimal outcomes (Moneta, 2014). Although it is beyond the scope and capacity of this study, one can speculate from previous research and current findings that the dynamism of the relationship may be subject to complex trade-offs and process reversals such as meta-motivational states (Apter, 2006). For instance, in this study, during the conducting stage, adopting a perspective-taking approach, sharing information and collaborating with the auditee, facilitated the auditor's goal of producing clear findings, balanced reports, and useful recommendations. However, during the reporting and feedback stage, this behaviour was considered to threaten one's impartiality and independence. To achieve an optimum outcome, the auditors' behaviour would oscillate, resulting in different, yet adaptive behaviours, not only across different situations, but also across different occurrences of the same situation for the auditor.

Mental representations or schemas about ourselves and others are not just relationship-specific but situation-specific (Ogilvie & Ashmore, 1991). By this means, we create stereotypical beliefs of how relationships should be conducted (e.g., doctor-patient; teacher-pupil, or mother-child). Like accounting professionals (Dillard & Ferris, 1989), performance auditors see their role as delivering added-value through facilitating accountability and facilitating improvements through their recommendations. They do not

identify with the fault-finding, accusatory *cop mentality* of a traditional public sector audit. This study indicates that the dichotomous choice between “independent auditor” versus “modernizer” is not inevitable and provides evidence that facilitating improvements by formally collaborating with auditees does not threaten auditors’ independence (Skaerback, 2009, p. 972). Rather, it implies that enriched communication, collaboration on improvements with auditees, and cooperative relationships at a distance, can strengthen auditors’ impartiality and integrity (Fontaine & Pilote, 2012).

Some *assets* of the performance auditor were similar to Peterson and Seligman’s (2004) strengths, namely, open-mindedness, creativity, and emotional intelligence (wisdom and knowledge); integrity (courage); humility and fairness (justice), and positive change or future-mindedness (transcendence). Similarly, participants’ accounts of their perceptions and behaviour suggested the strength of future-mindedness by contributing to a greater good in promoting positive change in management practices. Theorists hypothesise that “practical wisdom” regulates the application of strengths and virtues, and that it includes cognitive and motivational constructs (Schwartz & Sharpe, 2006, p. 377). However, they propose that it cannot be cultivated in the absence of positive social institutions (Seligman & Csikszentmihalyi, 2000). Therefore, if change is to occur, organisations within the accountability relationship need to equally embrace a positive current approach so that the auditors’ psychological assets are to have a full impact (Sułkowski, 2017). If the dictum of positive psychology is to encourage one to focus on the “better” (Moneta, 2014, p. 2), the strategic change model of appreciative inquiry derived from this precept urges us to look for what works and do more of it (Cooperrider et al., 2003). In summary, the results indicate that, if the ideal audit process is dependent on auditors using specific psychological assets at different points in the audit, then their metacognitive beliefs may play a relevant role in self-regulation, the promotion of adaptive metacognitive traits, and psychological adaptation (Beer & Moneta, 2010; Flavell, 1979).

Conclusion

This study explored the auditor-auditee relationship and how public sector auditors navigate the audit processes towards their goal of initiating positive change. It achieved its aims by providing an account of the psychological assets auditors use, as depicted through their recounted experiences of specific episodes. Six fundamental attributes were identified underlying and nourishing such professional relationships – independence, competence, positive personal attitudes, fairness, collaboration, and positive change. The findings also indicated a taxonomy of behaviours (negotiating; collaborating; assessing and judging, and influencing) that permeate the audit process and that are moderated at various stages of the audit towards the achievement of optimal outcomes.

The study furthers our understanding of the specific attributes concerning performance audit and provides insights into what drives auditors' thinking and behaviours. Through its findings, it also encourages metacognitive awareness as the first step to improving performance and encouraging practitioners and stakeholders to reconsider accountability and the role of auditors. In the second study, these building blocks of auditor relational attributes are used to develop an empirical model of key relational attributes particular to a performance audit.

Study 2: Development of a Relations Scale (PAR-S)

From the perspective of the auditor, the auditor-auditee relationship in performance audit displays specific behavioural characteristics that can be described, categorised, and conceptually modelled. To develop the rudimentary relationship model, I conducted a quantitative empirical study, with the goal of developing a measurement scale for the constructs. The purpose of this second study was to identify the commonality of the relational attributes and to develop a scale capable of measuring its determinant adaptive features. This section starts by presenting an outline of the procedure used to develop the short scale. The method is then described in detail, following which, the results and validation procedures are presented. Study 3 then presents the separate scale validation study conducted.

The scale was developed from the six psychological assets identified in Study 1 that auditors employ in their professional relationships: *Competence, Independence, Positive Personal Attributes* (Integrity, Trust, and Openness); *Fairness, Collaboration, and Positive Change*. Scale items were generated using the analysis of the interview transcripts from Study 1. A pool of 70 items was developed and subjected to exploratory principal components analysis (CPA), hypothesising a two-component structure. The scale was then validated by reference to established scales measuring these constructs (e.g., Fairness - IPIP-VIA Scale Equity/Fairness [Peterson & Seligman, 2004]; Collaboration - The Jefferson Scale of Attitudes Toward Interprofessional Collaboration [Hojat, Ward, Spandorfer, Arenson, Van Winkle, & Williams, 2015], and Perceived Competence Scales [Williams, Freedman, & Deci, 1998]). Details of the study's characteristics are now presented.

Method

Study Design

This cross-sectional study involved collecting data at one point in time to develop and validate a scale for measuring the adaptive attitudes of the PA relationship (Patton, 1990). The study was exploratory, as there was no *a priori* expectation based on theory or previous research about the characteristics of such a scale. It was conducted in predefined stages according to the DeVellis (2016) guideline for scale development (Figure 3.4). In

keeping with the post-positivist approach, a quantitative survey was used to develop a model of relational constructs characteristic of the practitioner community of performance auditors. Self-report measures consisting of an attitudinal survey were used in line with the adopted paradigm and the organisational settings. The purpose and rationale for adopting this quantitative inductive approach were to identify regularities in the data and develop a predictive, generalisable behavioural model (Bryman, 2012).

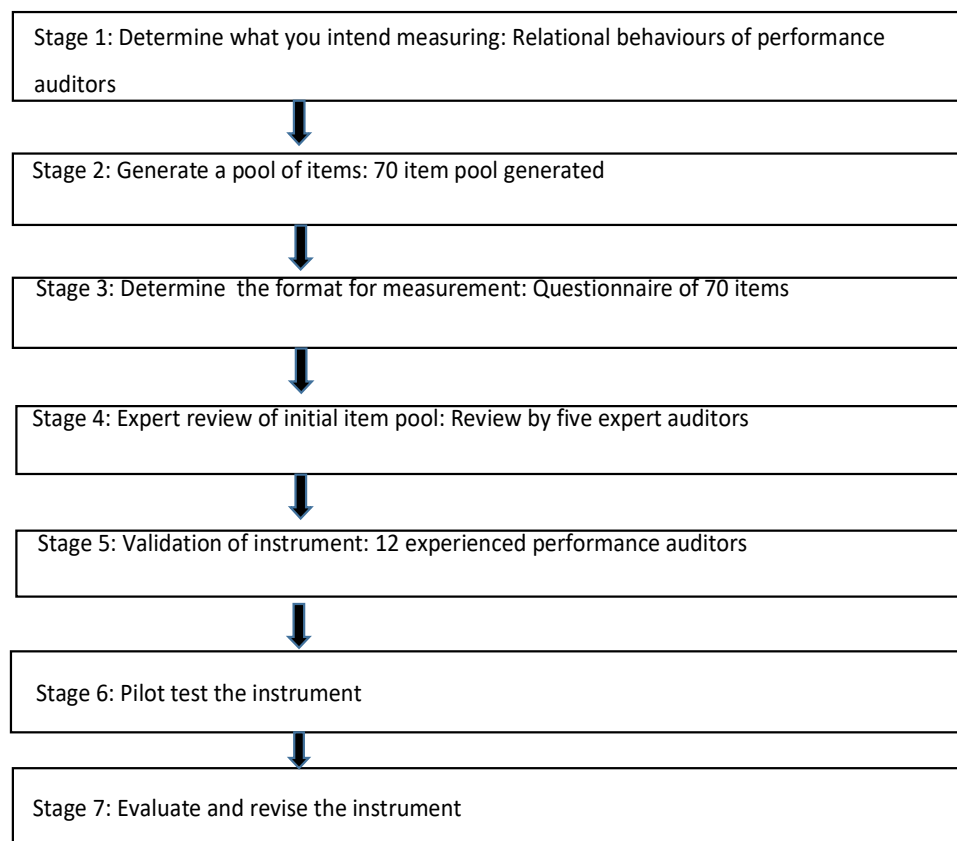


Figure 3.4. DeVellis (2016) Guideline for Scale Development.

Participants

A total of 154 performance auditors from the ECA were invited to participate in the study. This population represented the entire complement of active performance auditors with the organisation. A 70% response rate produced 110 responses, two of which were mostly incomplete and therefore excluded ($N = 108$). All participants had Master's

degrees, were polyglots, and worked through English. The majority of participants were male and had over ten years' experience in PA (see Table 3.5).

Table 3.5

Survey Participants' Characteristics

| Years' experience | Male | Female | Total | % |
|-------------------|------|--------|-------|-----|
| 3-5 | 10 | 3 | 13 | 12 |
| 6-9 | 9 | 18 | 27 | 25 |
| 10+ | 48 | 20 | 68 | 63 |
| Total | 67 | 41 | 108 | 100 |

Participants represented 20 European nationalities, with over half (54%) coming from six countries: Belgium, France, Germany, Portugal, Spain, and the United Kingdom (Table 3.6).

Table 3.6

Survey Participants' Nationalities

| Nationality | No. participants | % |
|-------------|------------------|-----|
| French | 12 | 11 |
| Portuguese | 11 | 10 |
| Spanish | 10 | 9 |
| Belgian | 10 | 9 |
| British | 9 | 8 |
| German | 8 | 7 |
| Italian | 7 | 6 |
| Finnish | 7 | 6 |
| Romanian | 6 | 6 |
| Polish | 5 | 5 |
| Dutch | 4 | 4 |
| Czech | 4 | 4 |
| Hungarian | 3 | 3 |
| Austrian | 3 | 3 |
| Bulgarian | 2 | 2 |
| Swedish | 2 | 2 |
| Greek | 2 | 2 |
| Estonian | 1 | 1 |
| Latvian | 1 | 1 |
| Irish | 1 | 1 |
| | 108 | 100 |

Materials

To better capture the nature and context of the audit behaviours, established scale items were not used in the initial development phase. Instead, a pool of 90 items was generated using the thematic analysis and the interview transcripts from Study 1. I later used the established scales for comparison in the subsequent validity study. This approach reduced the risk of under-representation where the construct fails to include important dimensions by being too narrowly defined (Messick, 1995). The potential questions were examined for duplication and to see how well they translated back theoretically to the original themes and sub-themes. This process produced a reduced pool of 70 items for the questionnaire, which had a four-point Likert-type scale (1 = *strongly disagree*; 2 = *disagree*; 3 = *agree*, and 4 = *strongly agree*). While researchers do not agree on the appropriate number of scale-points (Peterson, 2000), four categories were chosen to allow ease of handling and prevent respondents merely selecting the mean values. The intensity of opinion was measured by anchoring the responses with the qualifier *strongly* (Converse & Presser, 1990). Reverse scoring was used to analyse negatively-worded items. The scale questionnaire (see Appendix J) was administered using an electronic survey platform, *Checkmarket*. SPSS version 23 was used to analyse the data.

Procedure

Development and pre-testing of the scale instrument.

The pool of 70 items was cleaned, and relevant items were reverse-coded. Psychometric scales reflecting the theorised constructs of the performance relationship (*independence, competence, integrity, trust, openness, fairness, collaboration, and positive change*) were reviewed to determine how they were assessed and the format and style of questions (Clark & Watson, 1995; Churchill, 1979). The content validity of the draft questionnaire (DeVellis, 2016; Worthington & Whittaker, 2006) was assessed by a panel of five experienced ECA performance auditors, selected on a convenience-sampling basis. They evaluated each item in respect of its representativeness, comprehensiveness, and clarity (Grant & Davis, 1997) by assigning it to one or more theorised constructs in order of best-fit (Hinkin, 1995), and by identifying ambiguities in wordings of items and recommending improvements. The order of scale items was randomised to reduce the risk

of method bias, and predictors and criteria were separated (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). The questionnaire was piloted on a further convenience sample of experienced performance auditors ($n = 12$) in the ECA (Converse & Presser, 1990). This confirmed that the instrument was of sufficient quality, regarding ordering, phraseology, and ambiguity of items, to meet the objectives of the research, resulting in only minor changes. Statistical analysis of the results was not conducted because of the small dataset.

Data collection and analysis.

An invitation e-mail was sent to 154 performance auditors in the ECA, explaining the purpose of the study, that the data collected would be anonymised, be securely stored, and remain confidential. It was also explained that a summary of the study's findings would be provided and that aggregated analyses of the data might be used for publications, conferences, and presentations. The 70-item scale was administered to 110 respondents in the ECA between October and November 2016. The Shapiro-Wilk test (Shapiro & Wilks, 1965) was applied to test the scale for normality, giving $W(108) = .98, p = 0.436$. As $p > .05$, the null hypothesis, that the data was normally distributed, was retained. A total of 90% of the communalities of the scale items exceeded .7, indicating that the extracted components represented the variables well.

Frequency graphs for items characteristic of the latent factors were examined and interpreted. The data analysis focused on assessing the structural (underlying latent factors) and psychometric characteristics of the scale. First, the sample size of 108 responses did not satisfy the minimum recommended item-to-response ratio of 1:4 (Rummel, 1970). Second, the communality values were high ($> .6$), which indicated the variables' variance was largely free from error variance. Third, the Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) had a value of .44 and indicated an insufficient sample size for component analysis (Brace, Kemp, & Snelgar, 2003). Four, a review of the diagonals of the anti-image correlations matrix showed that only 17 of the 70 variables had values $> .5$, indicating that variables lacked sufficient correlation with other variables for factor analysis (FA).

As increasing the sample size would be extremely difficult, owing to the specialist character of the population and time and resource constraints, the dataset was divided into

sub-sets that conceptually measured the same latent variable. Variables weakly contributing to the latent constructs were then systematically and iteratively removed.

Results

Descriptive Statistics

The descriptive statistics are shown in Table 3.7. The histograms in Figures 3.6 – 3.9 show the strength of attitudes in some aspects of positive relationship development and sustenance. For instance, perspective-taking to understand auditees' values and reasoning (De Dreu et al., 2000) was strongly promoted by auditors (Figure 3.5). They also trusted the good intentions of auditees in wanting to perform well and improve things (Figure 3.6).

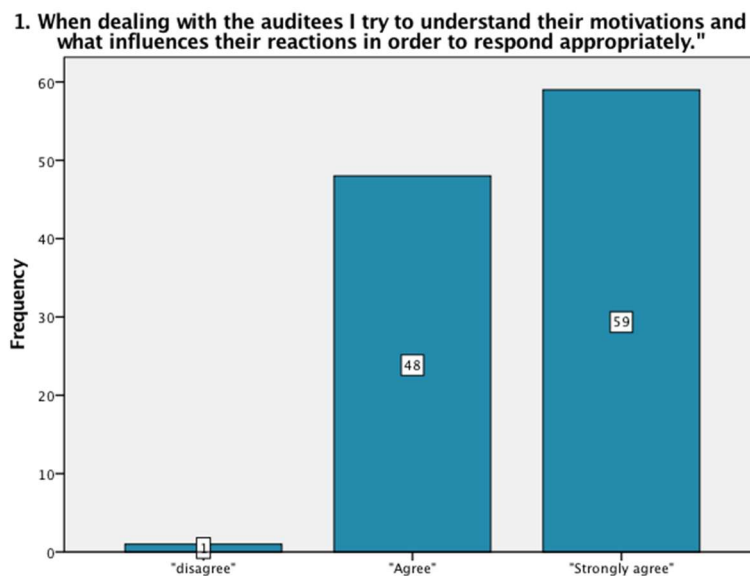


Figure 3.5. Perspective-taking.

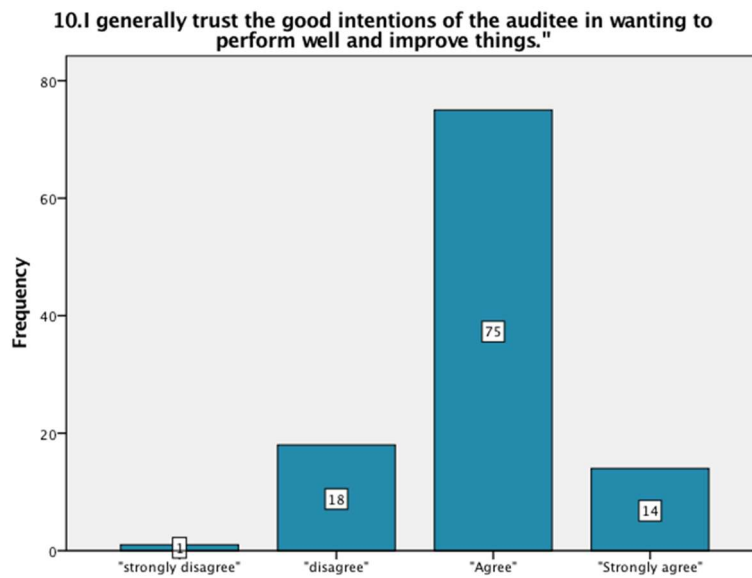


Figure 3.6. Trust Auditees' Intentions.

Similarly, collaborating with auditees in sharing information and finding solutions was not considered an impediment to auditors' independence (Figure 3.7). Instead, they valued it as a way of bringing about positive change (Figure 3.8). These findings corroborated the results of the qualitative study.

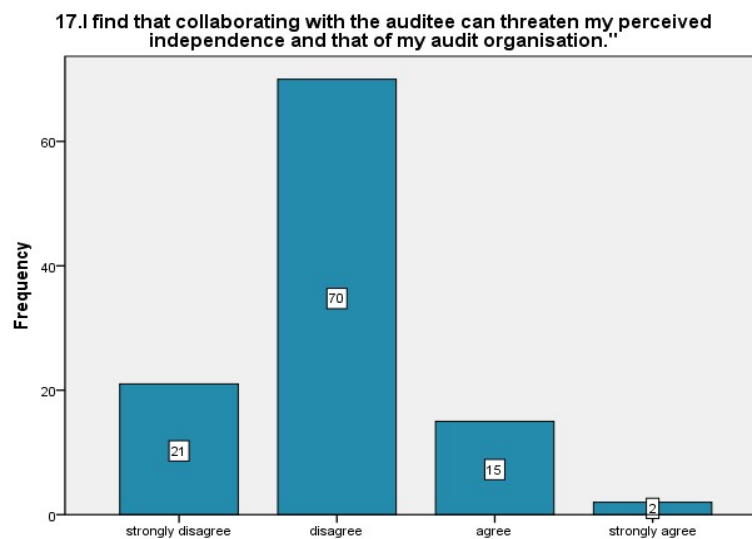


Figure 3.7. Positive Towards Collaboration.

20. Giving credit to auditees and making practical recommendations is how I try to bring about positive change in management.itle

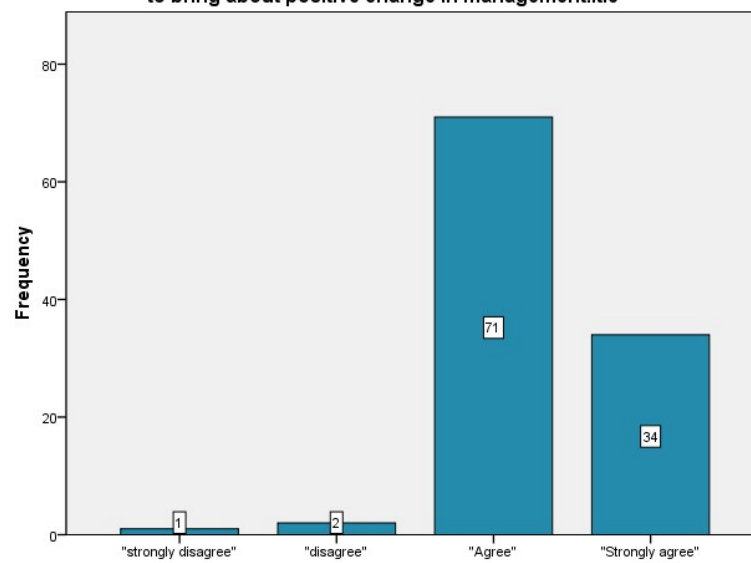


Figure 3.8. Positive Change.

Table 3.7

Mean, Standard Deviation, and Communalities

| Item | Variable | X | SD | Communalities |
|---|-----------|------|-----|---------------|
| 30. When I am conducting an audit, I explain to the auditee why and how the audit will be conducted. | OPEN | 3.67 | .47 | .75 |
| 1. When dealing with the auditees I try to understand their motivations and what influences their reactions to respond appropriately. | EE_MOTIV | 3.54 | .52 | .78 |
| 35. I prepare the audit well, to show that I am competent in managing the audit. | PREP | 3.47 | .54 | .78 |
| 52. I do not deceive or mislead the auditee as to the intention or purpose of my actions. | INTEGR_5 | 3.47 | .57 | .77 |
| 46. I try to ensure that the audit reports are fair and balanced so that the auditees are not overly defensive about criticisms. | FAIR_1 | 3.42 | .49 | .73 |
| 37. I am frank and transparent in dealing with auditees. | TRANSP | 3.39 | .51 | .76 |
| 14. I do not use brinkmanship (pushing discussions with the auditee to the brink of active conflict) when clearing the audit findings with the auditee. | BRINK | 3.35 | .57 | .57 |
| 25. As an auditor, I share common objectives with the auditee in seeking to make things run better and have better outcomes. | COMM_GOAL | 3.31 | .56 | .64 |
| 20. Giving credit to auditees and making practical recommendations is how I try to bring about positive change in management. | POS_CHG | 3.28 | .54 | .77 |
| 42. I find that it is good to communicate as much as possible with the auditee during the audit process. | COMMUN_1 | 3.28 | .62 | .75 |
| 29. I keep my promises to auditees. | PROMIS | 3.25 | .55 | .73 |
| 6. I find that my audit judgement is usually accepted by my hierarchy, subject to quality control checks. | AUD_JUDG | 3.24 | .56 | .77 |
| 36. I like to put myself in the shoes of the auditee when considering the facts and making recommendations. | EMPATH_2 | 3.23 | .57 | .80 |

| Item | Variable | X | SD | Communalities |
|---|------------|------|-----|---------------|
| 66. I do not need to be creative when carrying out an audit. (-) | CREAT_3 | 3.21 | .61 | .80 |
| 22. I try to encourage auditees to present their ideas for solving the weaknesses. | ENCOUR | 3.21 | .58 | .72 |
| 63. I approach audit issues with a questioning mind, to reduce the risk of being manipulated by the auditee. | SCEPT_2 | 3.20 | .51 | .72 |
| 41. I find that I arrive at higher added-value audit recommendations when I actively involve the auditee in proposing possible solutions. | COLLAB_2 | 3.18 | .58 | .78 |
| 69. I like to use my oversight and insight of an audited area to create knowledge and present a persuasive case for positive change. | ALTRU_7 | 3.18 | .51 | .76 |
| 50. I keep the auditee informed of the preliminary audit findings and progress on the audit task throughout the audit. | COMMUN_3 | 3.13 | .58 | .71 |
| 27. I think that the head(s) of audit organisations should actively build trust and common goals with the heads of the audited entities. | HIER_TRUST | 3.14 | .68 | .75 |
| 39. When I am part of an audit team that has expert knowledge of the subject matter, we usually deliver a high-quality audit product. | EXPERT_2_A | 3.14 | .66 | .76 |
| 40. As performance auditing involves problem-solving, I use creative-thinking approaches for coming up with solutions and recommendations. | CREATIV_1 | 3.12 | .65 | .67 |
| 54. I find collaborating with the auditee easy, once we both have a clear sense of our roles and responsibilities. | COLLAB_4 | 3.12 | .61 | .61 |
| 12. I find that working closely with the auditee is like playing with the class bully - you either have sufficient trust or you have fast legs to run away. (-) | BULLY | 3.11 | .63 | .78 |
| 31. I find that having regular contacts with the auditee risks adversely affecting my independent judgement. (-) | CONTACT | 3.11 | .65 | .71 |

| Item | Variable | X | SD | Communalities |
|--|-----------|------|-----|---------------|
| 43. When auditing, the audit team needs to be able to apply appropriate general management theory and principles to the subject matter being audited. | EXPERT_3 | 3.09 | .46 | .71 |
| 26. When I have expertise in the audit subject matter, I do not need to be so receptive to the position the auditee is presenting.(-) | RECEPT | 3.06 | .66 | .79 |
| 21. I do not have empathy for auditees when conducting an audit.(-) | EMPATH_R | 3.05 | .73 | .74 |
| 51. I find that having detailed expert knowledge of an audit subject matter can place me at a disadvantage, as I may have preconceived ideas and assumptions.(-) | EXPERT_4R | 3.04 | .76 | .75 |
| 62. All I need to conduct an audit are good auditing skill(-)s. | EXPERT_6R | 3.04 | .71 | .79 |
| 58. I have no problem sharing information we have gathered from other sources with auditees (once legally permissible), if it helps them in their management role. | ALTRU_2 | 3.03 | .59 | .80 |
| 17. I find that collaborating with the auditee can threaten my perceived independence and that of my audit organisation.(-) | COLLAB_R | 3.02 | .64 | .67 |
| 67. It is my role as auditor to try to move the auditee's thinking from being defensive to recognising the need for improvements. | ALTRU_5 | 3.01 | .62 | .80 |
| 55. It is reasonable that my organisation's senior management is the final arbitrator of the audit team's findings, conclusions, and recommendations included in the audit report. | INDEP_2 | 3.00 | .63 | .70 |
| 13. When auditing, I take into account in my audit judgement, the values and positions my audit organisation holds on the key issues affecting the auditee's performance. | ORG_POS | 2.99 | .56 | .75 |
| 5. I do not provide the auditee with additional feedback or information on the audit, but stick closely to the formal correspondence and reports.(-) | RECIP | 2.95 | .72 | .68 |
| 10. I generally trust the good intentions of the auditee in wanting to perform well and improve things. | INTENT | 2.94 | .58 | .76 |

| Item | Variable | X | SD | Communalities |
|---|-----------|------|-----|---------------|
| 65. I feel uneasy and extra vigilant when the auditee is very cooperative.(-) | TRUST_2 | 2.94 | .50 | .76 |
| 47. When auditing, I discuss and negotiate with the auditee on what is a reasonable interpretation of the events and outcomes. | INDEP_1 | 2.93 | .60 | .65 |
| 45. I find that, unless there is consistency in the messages and behaviours between the audit organisation and the auditee, building a constructive relationship is most difficult. | COMMUN_2 | 2.93 | .64 | .73 |
| 59. I am happily surprised when the auditee takes on board audit advice or reacts positively to the information I have provided. | ALTRU_3 | 2.93 | .65 | .77 |
| 16. When auditing a complex socio-economic environment, I generally have room for manoeuvre in how I see or interpret things. | MANOEUV | 2.91 | .50 | .71 |
| 18. I do not make audit recommendations where I cannot estimate the added-value to the auditee. | ADD_VAL | 2.88 | .62 | .60 |
| 28. I find that it is enough that I acquire expertise in the subject matter while I am carrying out the performance audit.(-) | EXPERT_2R | 2.87 | .61 | .71 |
| 61. I try to operate as a diagnostician and problem-solver when conducting audits. | ALTRU_4 | 2.87 | .64 | .79 |
| 64. I try to cooperate with the auditees by developing and disseminating good practice guidance where possible so that they can learn and introduce new management practices. | ALTRU_4_A | 2.85 | .65 | .75 |
| 7. When I disagree with the auditee on audit findings, I know I am doing my job correctly. (-) | CONFLICT | 2.81 | .85 | .77 |
| 49. I find that my effectiveness as an auditor is judged by the criticality of the report I produce, rather than whether it contains useful recommendations for improvements.(-) | FAIR_3 | 2.76 | .83 | .73 |
| 57. I do not mind the auditee contacting me at any time for advice or information about audit or best practice issues. | COLLAB_5 | 2.76 | .77 | .73 |

| Item | Variable | X | SD | Communalities |
|---|-----------|------|-----|---------------|
| 9. I am strongly aware that the social and political climate between my audit organisation and the audited entity can affect how I conduct my audit. | CLIMATE | 2.69 | .85 | .72 |
| 11. I find that the audit team's competence can be doubted by our hierarchy when we fail to reach an agreement with the auditee on findings and recommendations.(-) | COMP | 2.68 | .68 | .72 |
| 15. Expressing my own judgements can be difficult in my organisation, as I must obey the instructions of my hierarchy.(-) | HIERCH | 2.65 | .71 | .72 |
| 34. I generally find that negative publicity is not a good motivator for change in auditees' management practices. | MEDIA_1 | 2.65 | .66 | .70 |
| 33. I find that the auditee cannot trust me fully, as I am not the master of my own decision-making.(-) | TRUST_1 | 2.63 | .70 | .76 |
| 19. I apply the principle that public sector auditing is about laying accountability at the door of those responsible for managing public monies – and not about building relationships, managing change, and winning trust.(-) | ALTRU_1R | 2.60 | .78 | .75 |
| 4. I have worked on audits that end up with highly critical audit reports but with few feasible solutions.(-) | BALANCE_R | 2.60 | .80 | .73 |
| 38. I like to let the auditee have some input into the design of the audit. | COLLAB_1 | 2.59 | .77 | .66 |
| 60. When I am performance auditing, I do not plan everything in detail, due to the complex nature of such audits and the need to be adaptive to new circumstances. | CREAT_2 | 2.56 | .80 | .79 |
| 23. It is not my job to persuade the auditee to change management practices: But just to show them where they are going wrong.(-) | PERSUAD | 2.55 | .73 | .74 |
| 2. When deciding on performance standards to apply to the auditee, I find it useful to consider the performance of my own organisation as a benchmark. | BENCH | 2.48 | .72 | .82 |

| Item | Variable | X | SD | Communalities |
|---|-------------|------|-----|---------------|
| 70. I find that it is easier to establish a common understanding with auditees as you move higher up the hierarchies in the organisations. | ALTRU_8 | 2.42 | .79 | .71 |
| 56. I find that the auditee can question the audit team's knowledge or competence during an audit.(-) | EXPERT_5R | 2.33 | .68 | .74 |
| 68. I work on the basis that audit reports should just report the findings, regardless of whether they undermine public confidence in public administration.(-) | ALTRU_6R | 2.33 | .68 | .73 |
| 32. I have to make a special effort to balance the conflicting roles I have between being a fault-finder and wishing to constructively help the auditee make improvements. | ROLES | 2.33 | .77 | .74 |
| 53. I am aware that if I provide guidance and training to auditees it can threaten my independence.(-) | COLLAB_3R | 2.24 | .68 | .74 |
| 48. At times, I have to point out to auditees the possibility of adverse publicity following the audit, to encourage them to engage in the audit process. | FAIR_2 | 2.23 | .72 | .72 |
| 44. I find that the selection of audits is often driven more by newspaper reports and public interest than by a full risk analysis of the situation.(-) | MEDIA_2R | 2.22 | .78 | .73 |
| 3. I do not find that the auditee expects us to be experts in the subject matter area. | EXPERT_1 | 2.20 | .71 | .78 |
| 8. I find it difficult to be neutral in assessing performance, as audits are generally conceived by identifying management problems and areas of poor expected performance. | NEUTRAL | 2.02 | .64 | .77 |
| 24. I can be sceptical about persons I am dealing with in the audited entity.(-) | SCEPT_PERSR | 2.00 | .58 | .75 |

Principal Component Analysis

Exploratory principal components analysis (PCA) was employed (Bryman & Cramer, 2005). The extraction with orthogonal rotation (Varimax) gave variables with values $>.4$ loading principally onto three components that cumulatively accounted for 26% of the variance. This rotation method was used because, theoretically, components were expected to measure distinct constructs and this extraction method produced a clearer factor-loading model. However, due to the insufficient sample size, as indicated by the weak KMO indicator of .44, the dataset of 70 variables was divided into six subsets, presumed to conceptually measure six latent dimensions (collaboration – 11 items; PPA – 11 items; independence – 9 items; fairness – 15 items; competence – 13 items, and positive change – 11 items). A PCA for each subset dimension was conducted, and the KMO criterion of eigenvalues > 1.0 -factor extraction rule was applied (Nunnally & Bernstein, 1994). A total of 21 items were iteratively removed by applying the following removal criteria: two or fewer items loading (Comrey, 1988), and loading $< .4$, (Ford et al., 1986; Hinton et al., 2014), and items ambiguous or incongruent to the expected latent variable. Items were removed iteratively where the diagonals of the anti-image correlations matrix were < 0.5 and where cross-loadings occurred. Regarding cross-loadings, the higher loading variable was assigned to the component where it was most conceptually coherent (see Table 3.8).

Table 3.8

Principal Component Analysis Iterations – Items removed

| No. of items | Eigenvalues > 1 Cumulative variance | No. Factors > 3 items | KMO | Items removed |
|--------------|--|--------------------------|------|---|
| 70 | 24 factors | 3 = 26% | 0,44 | 21 items (3, 4, 5, 8, 12, 16, 17, 26, 33, 35, 38, 41, 45, 51, 57, 58, 60, 61, 68, 69, 70) |
| 49 | 18 factors = 70,9% | 6 = 37% | 0,55 | 18 items (2, 7, 9, 10, 11, 14, 15, 21, 24, 32, 39, 43, 44, 47, 48, 53, 64, 65) |
| 31 | 10 factors = 61,2% | 6 = 46% | 0,68 | 4 items (34, 49, 56, 59) |
| 27 | 9 factors = 62,3% | 5 = 45% | 0,73 | 9 items (19, 23, 31, 36, 37, 42, 52, 63, 66) |
| 18 | 6 factors = 58,8% | 5 = 52,9% | 0,78 | 4 items (18, 29, 50, 55) |
| 14 | 6 factors = 59,7% | 5 = 59,7% | 0,75 | - |

Following several PCA iterations, a five-component model of 14 items was found to have the best fit, accounting for 59% of the variance (Table 3.9). The KMO measure of sampling adequacy had a value of .75, indicating a sufficient sample size for the analysis (Brace et al., 2003). Parsimony and plausibility were applied to arrive at the optimal number of factors (Fabrigar, Wegener, MacCallum, & Strahan, 1999). Each grouping of variables was carefully examined to identify the underlying construct (Kim & Mueller, 1978). Descriptors were then assigned to each component reflecting the variables' meanings.

Table 3.9

14 Item Five-Component Model Loadings

| | 1 Positive change | 2 Fairness | 3 Collab | 4 Indep | 5 Comp |
|--|-------------------------|---------------|-------------|------------|-----------|
| 67. It is my role as auditor to try to move the auditee's thinking from being defensive, to recognising the need for improvements. | .59 | .34 | .28 | .01 | -.11 |
| 22. I try to encourage auditees to present their ideas for solving the weaknesses. | .64 | .02 | .28 | .03 | -.07 |
| 40. As performance auditing involves problem-solving, I use creative-thinking approaches for coming up with solutions and recommendations. | .68 | .17 | .11 | .06 | .20 |
| 25. As an auditor, I share common objectives with the auditee in seeking to make things run better and have better outcomes. | .74 | -.07 | -.18 | .31 | .01 |
| 1. When dealing with the auditees, I try to understand their motivations and what influences their reactions in order to respond appropriately. | .17 | .66 | .21 | -.08 | .17 |
| 46. I try to ensure that the audit reports are fair and balanced so that the auditees are not overly defensive about criticisms. | .39 | .52 | .06 | .09 | .16 |
| 30. When I am conducting an audit, I explain to the auditee why and how the audit will be conducted. | .16 | .55 | .06 | .34 | .27 |
| 13. When auditing I take into account in my audit judgement, the values and positions my audit organisation holds on the key issues affecting the auditee's performance. | -.10 | .84 | -.07 | -.02 | -.07 |

| | 1 | 2 | 3 | 4 | 5 |
|--|--------------------|----------|------------|------------|------------|
| | Positive change | Fairness | Collab | Indep | Comp |
| 27. I think that the head(s) of audit organisations should actively build trust and common goals with the heads of the audited entities. | .17 | .06 | .72 | .21 | .25 |
| 20. Giving credit to auditees and making practical recommendations is how I try to bring about positive change in management. | .10 | .08 | .83 | -.02 | -.11 |
| 54. I find collaborating with the auditee easy, once we both have a clear sense of our roles and responsibilities. | .06 | .00 | .15 | .72 | -.11 |
| 6. I find that my audit judgement is usually accepted by my hierarchy, subject to quality control checks. | .16 | .04 | -.02 | .77 | .00 |
| 28. I find that it is enough that I acquire expertise in the subject matter while I am carrying out the performance audit. | .18 | .02 | .05 | -.16 | .71 |
| 62. All I really need to conduct an audit are good auditing skills. | -.14 | .18 | -.01 | .06 | .79 |

Extraction method: Principal Component Analysis

Rotation Method: Varimax with Kaiser Normalisation a

a. Rotation converged in 6 iterations

Reliability Analysis and Construct Validity

The statistical analysis produced a 14-item five-component scale that best fitted the data. The internal consistency (reliability) of the components was calculated using Cronbach's alpha (Cronbach, 1951; Nunnally & Bernstein, 1994): *Positive Change* ($\alpha = .66$); *Fairness* ($\alpha = .64$); *Collaboration* ($\alpha = .54$); *Competence* ($\alpha = .43$), and *Independence* ($\alpha = .35$). The results indicated that the internal consistency of the factors was "questionable" to "unacceptable" (George & Mallery, 2003).

Confirmatory factor analysis.

Confirmatory factor analysis (CFA) was performed to test the five-factor structure of the model and its consistency with the data. LISREL (Jöreskog & Sörbom, 1996), which uses the Maximum Estimation-ML method (Jöreskog, 1970) based on a multivariate normal distribution was used for modelling. First, to determine the discriminant validity of the PCA model, every possible pair of factors was combined and compared using Chi-square difference comparisons. This process resulted in a two-factor model (*Positive Change* and *Fairness*) of five items each. A single factor model was not preferable to the two-factor model. Cronbach's alpha was calculated to measure the reliability of the two factors, giving strong values of .9 (*Positive Change*) and .97 (*Fairness*). The recommended minimum value of Cronbach's alpha for exploratory analysis is .6 (Robinson, Shaver, & Wrightsman, 1991).

A variety of model fit indices was used to reflect different aspects of model fit (Crowley & Fan, 1997). First, the Chi-square value indicator was used to assess the size of the discrepancy between the sample and covariance matrices (Hu & Bentler, 1999). The statistic is based on the assumption that the endogenous variables have multivariate normal distribution (McIntosh, 2007) and is considered accurate for models with about 75 to 200 cases. A good model fit provides an insignificant result when $p > 0.05$ (Barrett, 2007). Second, the Goodness-of-Fit statistic Root Mean Square Error of Approximation (RMSEA) measure (Steiger, 1990) was used to assess how well the model fit the population's covariance matrix. It favours parsimony by choosing the model with the least number of parameters, and a cut-off value close to .06 (Hu & Bentler, 1999) or 0.07 (Steiger, 2007) indicating acceptable fit. Third, the Goodness-of-Fit (GFI) statistic (Jöreskog & Sörbom, 1993) shows how closely the model comes to replicating the covariance matrix (Diamantopoulos & Siguaw, 2000). This statistic ranges from 0 to 1,

with a cut-off of .80 or greater indicating a well-fitting model (Forza & Filippini, 1998). Finally, the Close Fit (PCLOSE) measure was applied, which provides a one-sided test of the null hypothesis that the RMSEA equals .05. Therefore, if the $p < .05$, it is concluded that the model's fit is worse than close fitting (i.e., the RMSEA is greater than 0.05).

The indicators of good fit were $RMSEA = 0.00$, $\chi^2 = 27.46$, $df = 34$, and $p = .78$, $GFI = .95$, and the PCLOSE was $p = .95$, all of which indicated a good model fit (Byrne, 1998), therefore supporting a two-factor model. However, there was a moderate to strong correlation between the factors ($r = .68$), indicating multicollinearity or a degree of redundancy in the factors. This result might indicate that a second-order factor lies behind the correlated factors. The covariance matrix is presented in Table 3.10. Path diagrams of the model, showing standardised and unstandardised estimates, are shown in Figures 3.9 and 3.10.

Table 3.10

Covariances of Two-Factor 10 Variable Model

| Variables | ORG_POS | HIER_TRU | PROMIS | OPEN | CREATIV | COLLAB_2 | FAIR_1 | COMMUN_3 | INTEGR_5 | ALTRU_5 |
|-----------|---------|----------|--------|------|---------|----------|--------|----------|----------|---------|
| ORG_POS | .31 | | | | | | | | | |
| HIER_TRU | .01 | .46 | | | | | | | | |
| PROMIS | .09 | .11 | .30 | | | | | | | |
| OPEN | .07 | .06 | .12 | .22 | | | | | | |
| CREATIV | .02 | .09 | .11 | .09 | .42 | | | | | |
| COLLAB_2 | .03 | .01 | .06 | .05 | .10 | .34 | | | | |
| FAIR_1 | .08 | .08 | .11 | .08 | .09 | .06 | .25 | | | |
| COMMUN_3 | -.01 | .12 | .08 | .08 | .12 | .09 | .09 | .33 | | |
| INTEGR_5 | .08 | .04 | .08 | .13 | .03 | .01 | .09 | .04 | .33 | |
| ALTRU_5 | .06 | .12 | .11 | .09 | .15 | .08 | .09 | .10 | .05 | .38 |

Note: N = 108

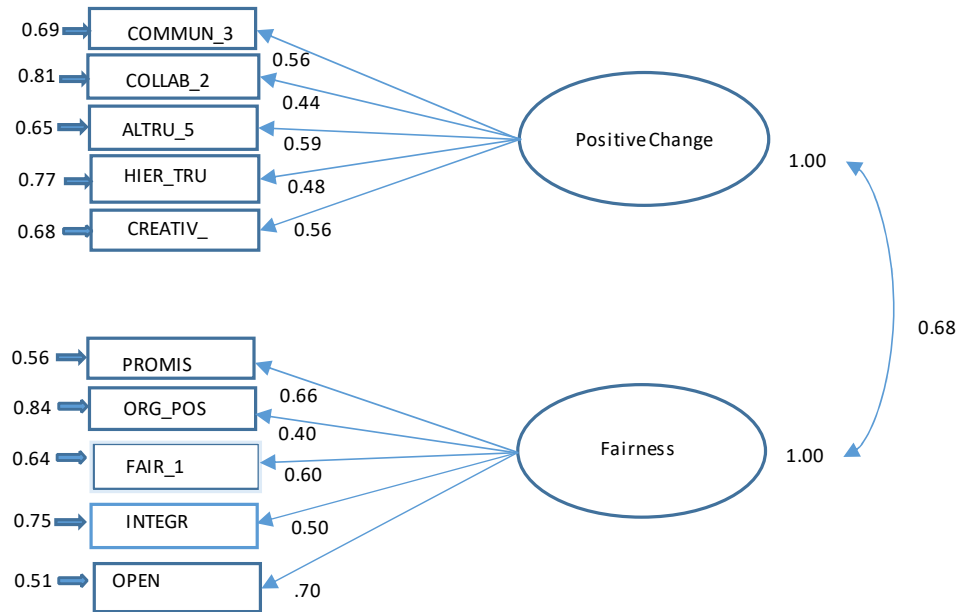


Figure 3.9. Path Diagram for Two-Factor 10 Variable Model (Standardised Estimates).

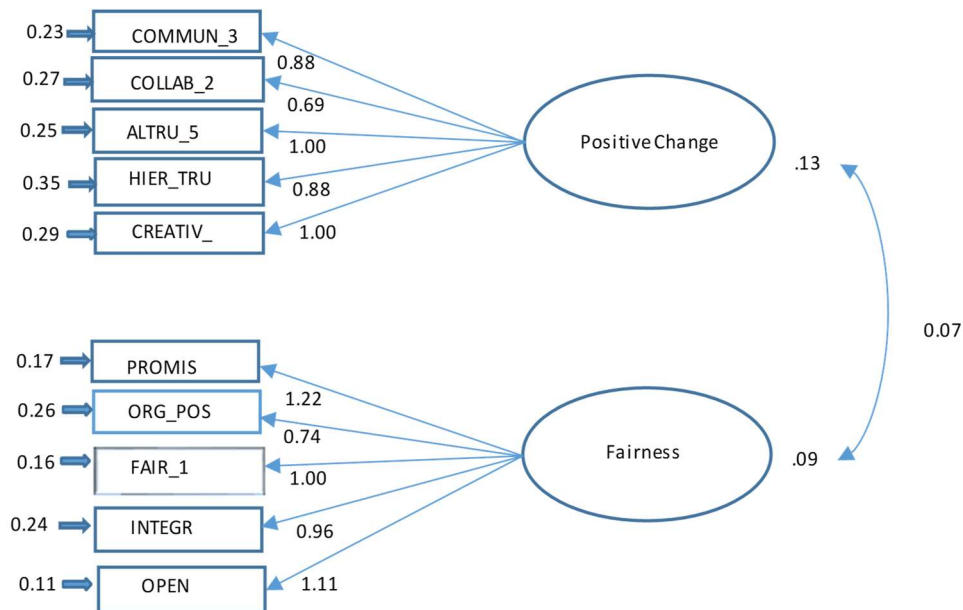


Figure 3.10. Path Diagram for Two-Factor 10 Variable Model (Unstandardised Estimates).

The previous statistical analysis had indicated that a single factor model was not preferable to the two-factor model. Therefore, to strengthen the scale while ensuring symmetry (Costello & Osborne, 2005), two extra items were added to each factor to increase the model to 14 items (*Positive Change* removed item “ALTRU_5” and added “COMMUN_1”, “ALTRU_1R” and “ENCOUR”; *Fairness* added items “EE_MOTIV” and “ALTRU_7”). The extra items were selected on a recursive basis while ensuring that

they loaded onto their conceptually-related factors and maintained the good fit of the model to the data.

The Cronbach's alpha for the two factors (*Positive Change* and *Fairness*) was .91 and .96, respectively. The indicators of good fit were RMSEA = 0.05, $\chi^2 = 96.37$, $df = 76$, and $p = .0574$, GFI = .886, and the PCLOSE was $p = .479$. These supported the modelled solution except for PCLOSE, which indicated that the RMSEA may be greater than .5 and therefore not a close fit. However, the inter-factor correlation reduced to $r = .59$, indicating that the removed item ("ALTRU_5") may have been redundant (see Table 3.11 for the covariance matrix). Path diagrams of the model, showing standardised and unstandardised estimates, are shown in Figures 3.11 and 3.12.

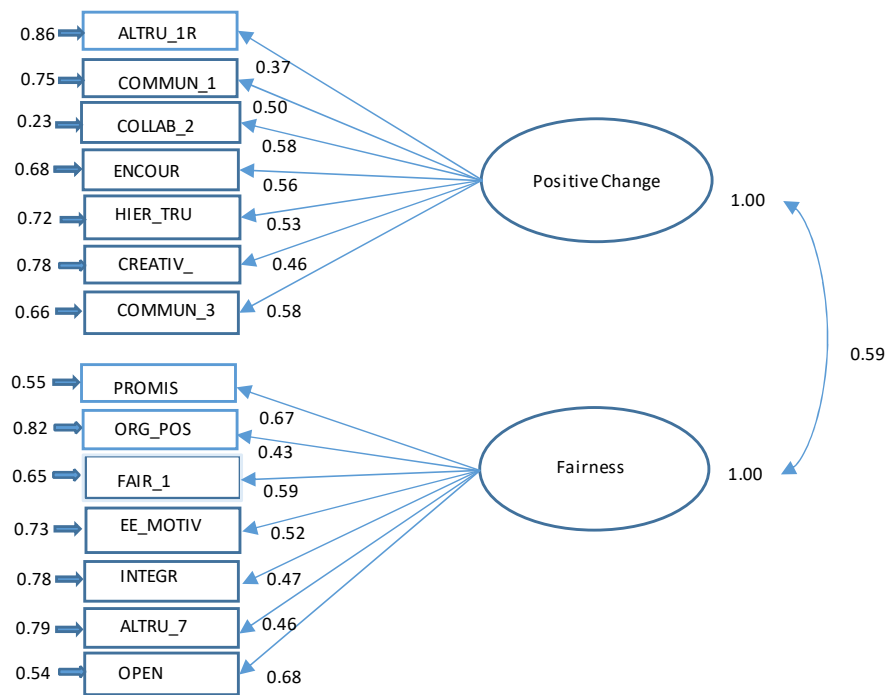


Figure 3.11. Path Diagram for Two-Factor 14 Variable Model (Standardised Estimates).

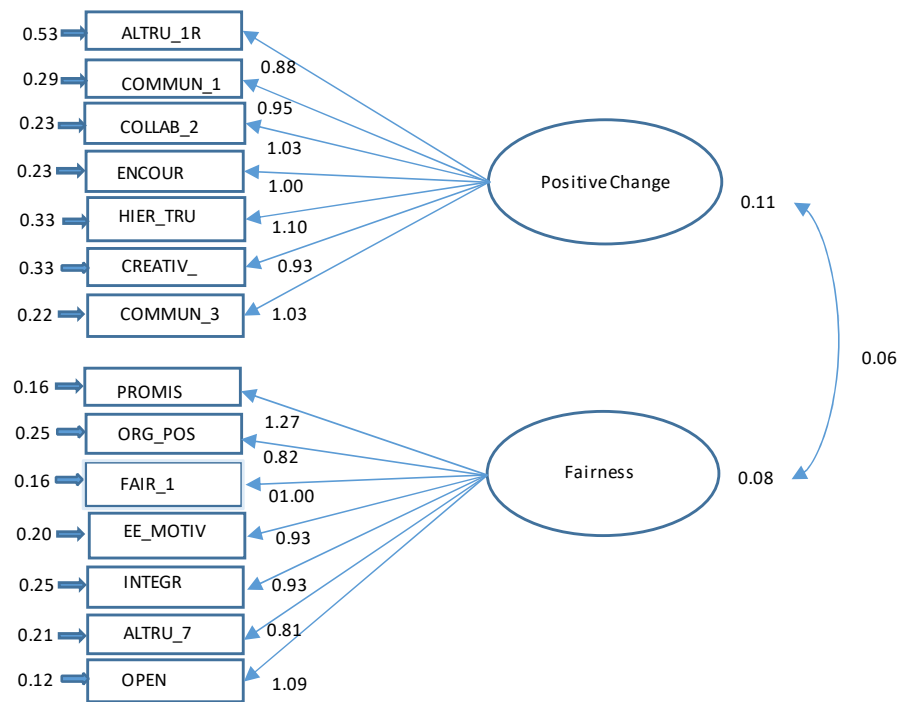


Figure 3.12. Path Diagram for Two-Factor 14 Variable Model (Unstandardised Estimates).

Table 3.11

Covariances of Two-factor 14 Variable Model

| VARIABLES | EE_MOTIV | ORG_POS | ENCOUR | HIER_TRU | PROMIS | OPEN | CREATIV | COLLAB _2 | COMMUN _1 | FAIR_1 | COMMUN _3 | INTEGR | ALTRU _7 | ALTRU _1R |
|-----------|----------|---------|--------|----------|--------|------|---------|--------------|--------------|--------|--------------|--------|-------------|--------------|
| EE_MOTIV | .27 | | | | | | | | | | | | | |
| ORG_POS | .11 | .31 | | | | | | | | | | | | |
| ENCOUR | .03 | .00 | .34 | | | | | | | | | | | |
| HIER_TRU | .07 | .01 | .10 | .46 | | | | | | | | | | |
| PROMIS | .10 | .09 | .08 | .11 | .30 | | | | | | | | | |
| OPEN | .07 | .07 | .04 | .06 | .1 | .22 | | | | | | | | |
| CREATIV | .10 | .02 | .10 | .09 | .11 | .09 | .42 | | | | | | | |
| COLLAB_2 | .07 | .03 | .14 | .10 | .06 | .05 | .10 | .34 | | | | | | |
| COMMUN_1 | .06 | -.01 | .08 | .13 | .03 | .07 | .04 | .17 | .39 | | | | | |
| FAIR_1 | .07 | .08 | .08 | .08 | .11 | .08 | .09 | .06 | .05 | .24 | | | | |
| COMMUN_3 | .03 | -.01 | .11 | .12 | .08 | .08 | .12 | .09 | .11 | .09 | .33 | | | |
| INTEGR | .05 | .08 | .03 | .04 | .08 | .13 | .03 | .01 | .00 | .09 | .04 | .33 | | |
| ALTRU_7 | .09 | .05 | .05 | .08 | .09 | .07 | .12 | .02 | -.02 | .05 | .09 | .05 | .26 | |
| ALTRU_1R | .02 | -.02 | .11 | .19 | .10 | .06 | .05 | .06 | .06 | .05 | .10 | .03 | .03 | .62 |

Study 3: Scale Validation Study

Construct validity assesses whether the variables are aligned with the constructs and measure them accurately. A separate validation study was conducted to assess the convergent and discriminant validity of the scale and sub-scales because measures of theoretically similar constructs will closely intercorrelate and vice-versa. To test the convergent validity of the scale, it was hypothesised that the sub-scale measuring *Fairness* would correlate positively with the IPIP-VIA Scale Equity/Fairness and that *Positive Change* items would correlate positively with the NEO-A3 *Altruism* scale.

Method

Participants

Performance auditors ($N = 65$) working in nine national audit organisations (Austria, Canada, Denmark, Finland, Lithuania, the Netherlands, New Zealand, Norway, and the UK) participated in the validation study. The data were collected by way of an electronic survey in April 2017. An invitation addressed to the management of each organisation, invited it to send the electronic survey link and the invitation to its performance auditor cohort. Sometimes, only a representative member of the SAI completed the survey, rather than it being disseminated to the auditor cohort. This outcome gave a lower than expected participation rate. The average audit experience of participants was 7.5 years (Table 3.12).

Table 3.12

Validity Study: Participants' Characteristics

| Country SAI | No. participants | Avg. No. years' auditing experience |
|----------------|------------------|-------------------------------------|
| Norway | 31 | 7 |
| New Zealand | 9 | 6 |
| Denmark | 9 | 6 |
| Canada | 5 | 10 |
| Lithuania | 5 | 8 |
| Unidentified | 4 | 6 |
| Netherlands | 3 | 9 |
| Finland | 1 | 10 |
| Austria | 1 | 10 |
| United Kingdom | 1 | 7 |
| Total | 65 | 7.5 |

Materials

Respondents were requested to complete the 14-item scale and a composite questionnaire of scales measuring convergent and divergent constructs (see Appendix K). They were also instructed to indicate the extent to which they agreed or disagreed with the statements on a five-point scale of 1 = *strongly disagree*; 2 = *Disagree*; 3 = *Agree*, and 4 = *Strongly Agree*.

Validation scales.

The IPIP-VIA Scale *Equity/Fairness* (Peterson & Seligman, 2004) consisting of nine items and a Cronbach alpha of .70 was used as a comparator to assess the convergent validity of the construct, *Fairness*. This scale was suitable, given the research's positive psychology orientation (Peterson, 2009; Seligman, 1990, 2004) and the suitability of the items. The NEO-A3 *Altruism* scale (Costa & McCrae, 1992) consisting of ten items and a Cronbach alpha of .77 was selected as a comparator for the sub-scale *Positive Change*. The scale was chosen because the NEO PI-R is recognised internationally as a robust standard for personality assessment and measures the five major domains of personality and the six facets of each domain. The facet, *Altruism*, was defined as social responsibility or one's active concern for the welfare of others and was coherent with the latent construct *Positive Change*. A nine-item scale from the Temperament and Character Inventory (Cloninger, Przybeck, Svrakic, & Wetzel, 1994) measuring *Romanticism* was selected to assess the discriminant validity (Campbell & Fiske, 1959) of the scale and sub-scales. The scale has a reliability Cronbach's alpha of .74 and its items did not have an ostensible correlation with the constructs of the PAR scale. The scale items are shown in Appendix L.

Results

Table 3.13 contains the mean and standard deviation for the two-factor model.

Table 3.13

Mean and Standard Deviation of the Two-factor 14-item Model

| Scale Items | X | SD |
|--|------|-----|
| 1. When dealing with the auditees, I try to understand their motivations and what influences their reactions to respond appropriately. | 3.44 | .53 |
| 13. When auditing I take into account in my audit judgement, the values and positions my audit organisation holds on the key issues affecting the auditee's performance. | 3.09 | .63 |
| 29. I keep my promises to auditees. | 3.38 | .65 |
| 30. When I am conducting an audit, I explain to the auditee why and how the audit will be conducted. | 3.78 | .45 |
| 46. I try to ensure that the audit reports are fair and balanced so that the auditees are not overly defensive about criticisms. | 3.64 | .54 |
| 52. I do not deceive or mislead the auditee as to the intention or purpose of my actions. | 3.56 | .59 |
| 69. I like to use my oversight and insight of an audited area to create knowledge and present a persuasive case for positive change. | 3.31 | .61 |
| 19. I apply the principle that public sector auditing is about laying accountability at the door of those responsible for managing public monies – and not about building trust, managing change, and winning trust. | 2.36 | .84 |
| 22. I try to encourage auditees to present their ideas for solving the weaknesses. | 3.16 | .60 |
| 27. I think that the head(s) of audit organisations should actively build trust and common goals with the heads of the audited entities. | 3.22 | .65 |
| 40. As performance auditing involves problem-solving, I use creative-thinking approaches for coming up with solutions and recommendations. | 3.05 | .76 |
| 41. I find that I arrive at higher added-value audit recommendations when I actively involve the auditee in proposing possible solutions. | 3.16 | .74 |
| 42. I find it good to communicate as much as possible with the auditee during the audit process. | 3.22 | .68 |
| 50. I keep the auditee informed of the preliminary audit findings and progress on the audit task throughout the audit. | 2.95 | .74 |

The Shapiro-Wilk test (Shapiro & Wilks, 1965) was applied to test the scale for normality giving $W(65) = .99, p = .74$. As $p > .05$. Thus, the null hypothesis that the data was normally distributed was retained. Pearson's correlation coefficient was calculated for each relationship (see Table 3.14).

Table 3.14

Construct Validity Correlations

| Convergent/Divergent scales | PAR Scale | Sub-scale Positive change | Sub-scale Fairness |
|--|-----------|---------------------------|--------------------|
| Pearson's correlation coefficients (r) | | | |
| Equity/Fairness | .52** | .40** | .51** |
| Altruism | .41** | .26* | .46** |
| Romanticism | .28* | .24 ^{n.s} | .25* |

Note: ** $p < .01$, one-tailed. * $p < .05$, one-tailed. n.s = not significant.

There was a moderate correlation between the PAR scale and the convergent scales. This result indicated that the PAR scale was reasonably measuring constructs reflected in the *Equity/Fairness* and *Altruism* scales. There was also a moderate correlation between the construct *Equity/Fairness* and the sub-scale *Fairness*, and *Altruism* and the sub-scale *Fairness*. However, there was only a weak correlation between *Altruism* and the sub-scale, *Positive Change*. Concerning the divergent comparator, *Romanticism*, weak correlations were recorded between it and the PAR scale and sub-scales. With *Positive Change*, the correlation was not statistically significant. The final two-factor PAR scale, consisting of the sub-scales *Positive Change* and *Fairness*, is shown in Table 3.15.

In the following section, the findings are discussed and interpreted, taking into account some limitations of the studies. The possibilities for further studies in this domain are also considered. To conclude the chapter, the section also considers how the research question has been addressed and the contribution of the research to furthering knowledge and practice concerning audit relationships.

Table 3.15

Performance Audit Relationships (PAR) Scale

| Sub-scale | Item |
|-----------------|--|
| Positive Change | 41. I find that I arrive at higher added-value audit recommendations when I actively involve the auditee in proposing possible solutions. (+) |
| Positive Change | 50. I keep the auditee informed of the preliminary audit findings and progress on the audit task throughout the audit. (+) |
| Positive Change | 40. As performance auditing involves problem-solving, I use creative-thinking approaches for coming up with solutions and recommendations. (+) |
| Positive Change | 42. I find that it is good to communicate as much as possible with the auditee during the audit process. (+) |
| Positive Change | 22. I try to encourage auditees to present their ideas for solving the weaknesses. (+) |
| Positive Change | 27. I think that the head(s) of audit organisations should actively build trust and common goals with the heads of the audited entities. (+) |
| Positive Change | 19. I apply the principle that public sector auditing is about laying accountability at the door of those responsible for managing public monies – and not about building trust, managing change, and winning trust. (-) |
| Fairness | 1. When dealing with the auditees, I try to understand their motivations and what influences their reactions to respond appropriately. (+) |
| Fairness | 30. When I am conducting an audit, I explain to the auditee why and how the audit will be conducted. (+) |
| Fairness | 13. When auditing I take into account in my audit judgement, the values and positions my audit organisation holds on the key issues affecting the auditee's performance. (+) |
| Fairness | 69. I like to use my oversight and insight of an audited area to create knowledge and present a persuasive case for positive change. (+) |
| Fairness | 52. I do not deceive or mislead the auditee as to the intention or purpose of my actions. (+) |
| Fairness | 46. I try to ensure that the audit reports are fair and balanced so that the auditees are not overly defensive about criticisms |
| Fairness | 29. I keep my promises to auditees. (+) |

Discussion

Study 1 adopted social exchange theory as its broad theoretical basis and Katz and Kahn's (1978) REM as a conceptual framework to develop a model of adaptive auditor-auditee relations based on a thematic analysis of interviews with audit practitioners. Although five of the six principal themes can be regarded as intrapersonal (*Independence*, *Competence*, *Positive Personal Attributes*, *Fairness*, and *Positive Change*), the theme of *collaboration* emerged as an interpersonal influencing factor while two themes (*Independence* and *Positive Change*) also had interorganisational dimensions. I contend, therefore, that although the sub-theme of *trust* was categorised as a positive personal attribute, it could equally have been considered as an interpersonal attribute, given its bi-directional character and its antecedents of personal history and expectations.

Studies 2 and 3 constructed and validated a pilot scale to measure the characteristics of performance auditor relations from the auditor's perspective. The psychometric model consisted of a two-factor 14-item scale measuring the constructs of *Fairness* and *Positive Change* in an audit context. In the validation study (Study 3), although the correlations with the convergent constructs were in the predicted direction, they were mainly moderate to weak in strength. The weak correlation between the sub-scale, *Positive Change*, and the convergent construct, *Altruism*, could be accounted for by an inconsistency in the underlying constructs. Whereas altruism is defined as "a motivational state with the goal of increasing another's welfare" (Darity, 2008, p. 88), as demonstrated through prosocial behaviours (e.g., helping, sharing, cooperating, philanthropy, and community service), *Positive Change* reflected a willingness or openness to engage professionally with the other party for a greater good. I suggest that this attribute was most likely tapping into the *Citizenship* behaviour identified in the competency model in Chapter 2. The weak correlation between the scale, sub-scales, and the divergent construct of *Romanticism* supported the discriminant validity of the scale, indicating that the attributes measured were unrelated.

Factor analysis (FA) allows types of phenomena to be examined, not as single events or behaviours, but as single constructs comprised of a weighted mean of scores. While such constructs are simpler than the phenomena, and are expected to be reasonably accurate, they do not explain the multi-causal nature of psychological phenomena (Suhr, 2003; Trninić, Jelaska, & Štalec, 2013). In addition, as constructs are never as rich as the

attribute they represent, there is always an inferential gap to be bridged. Moreover, FA methods incorporate a degree of subjectivity and problems to be surmounted through the decisions and interpretation of the researcher (Pervin, Cervone, & John, 2005), which can affect results. First, researchers must infer the existence of a common entity in the data and interpret it. They must then determine the appropriateness of the sample for FA. Regarding appropriate size, guidance ranges from $N > 100$ items (Kline, 1979), to a recommended $N:p$ ratio of 1:6 (Cattell, 1978). In this case, the small sample size resulted from the specialism of the target population and research resource constraints. Second, according to studies, the selected FA methods are often inappropriate (Ford et al., 1986). This study used PCA on the basis that the goal was to reduce the set of variables to a small number of factors. However, it could be argued that principal axis (common) factor analysis may have been more appropriate to explore the relationships among the items, as it analyses only the common rather than a total variance, in identifying common latent constructs (Russell, 2002). The third key decision concerned the choice of rotation method: oblique, where factors are hypothesised to correlate, and orthogonal, where they are not. Orthogonal rotation was selected, as it provided a clearer, more defined model with lower cross-loadings. However, theoretically, oblique rotation may have been more appropriate, as the correlation of the latent constructs could have been expected (Fabrigar et al., 1999).

Lastly, in developing the scale, the two-factor 10 item model was expanded to 14 items to strengthen the model. However, while the interfactor correlation was reduced, thus increasing the discriminant power of the factors, the goodness-of-fit indicators indicated a weakening of the model-data fit. Nevertheless, it was decided to proceed with the latter model on the basis that the exploratory factor solution would be cross-validated with an international sample of auditors. The decisions taken can be justified on the basis that this was an exploratory study, where no hypothesised model existed, and where the goal was to identify psychological constructs from the complex psychological phenomena of auditors' values and opinions. However, it is only through repeated use and testing that one can be assured that the scale captures realistic and useful attributes of the relationship.

This research contributes to an understanding of auditee-auditor relations in the PA context. Analysing PA as a process and relationship contributes to understanding how the perceptions are formed, behaviours are interpreted, problems arise, and solutions are found in this dynamic and multifaceted professional relationship. From the professional audit

perspective, the findings will allow audit practitioners to re-examine their human resource and audit practices concerning staff and team selection criteria. Developing the relational scale will contribute to testing processes and nascent theories to develop behavioural-change interventions.

Limitations

This study's findings should be interpreted in light of several limitations. Although the findings concern performance audit relations in general, care is needed when applying them to other audit environments. For example, in Study 1, although the qualitative research provides explanations and meanings for behaviour and attitudes of participants, it does not claim to represent generalisable findings outside the population sampled. In this case, the specific work-setting of the ECA presents a triadic (and not a dyadic) relationship of external auditor (the ECA), principal auditee (the EC), and main beneficiaries (the Member States of the EU), leaving aside the political accountability role of the European Parliament and the Council. This supranational operational accountability framework complicates matters by removing Member State authorities from the *field of play* of relationships. In contrast, PA performed by national SAIs and other performance auditors faces more *local* challenges and relational dynamics. This occurs due to the higher profile and the closer proximity of national programmes to the citizen, resulting in pronounced political, and media attention.

A further contextual issue was the positive psychological orientation guiding the focus and narrative of the studies in constructing the relational model and scale. Owing to the specific legal, regulatory, and cultural background of audit relationships, and given that positive psychological concepts largely derive from *WEIRD* participants (Western, Educated, Industrialised, Rich and Democratic: Henrich, Heine, & Norenzayan, 2010), it is not certain whether stable and identifiable attributes can be generalised and transferred, across diverse organisational and cross-cultural contexts. Therefore, given the dynamism of relationships, and the specific legal, regulatory, and cultural backgrounds of different SAIs, the direct transferability of attributes across diverse organisational and cross-cultural contexts cannot be assured.

Obtaining sufficient and appropriate access to the phenomena being studied is not always easy, particularly concerning human behaviour and processes in a work context,

because of the sensitivity of data (Humphrey, 2008). In the studies, the participation of three SAIs, identified as a potential source of many participants, unfortunately, did not materialise, owing to organisational restrictions based on workload and related costs. Although the REM provided a broad lens, it was decided not to include the perspectives of auditees and stakeholders in the research. It could be argued that, as relationships are at minimum dyadic, auditees' views may have provided a deeper understanding of relational dynamic. However, obtaining the opinions of stakeholders in many jurisdictions would have stretched the research far beyond its feasibility regarding scope and resources. In future research, obtaining sufficient quality access to auditees would be best achieved through collaborative research either with auditee organisations or in conjunction with academic researchers within the chosen countries. Nevertheless, this limitation opens the door to new, interesting research opportunities, in testing counterparties' perceptions of the auditing experience.

Lastly, because of the voluntary nature of the survey, self-selection bias may have arisen. Moreover, in both quantitative and qualitative studies, the influence of social desirability bias may have distorted the interview and survey outcomes, given the personal value content of the questions (Schlenker & Weingold, 1989). Like many perceptual studies, the auditors' perceptions may not reflect the realities of practice or be affected by "overly optimistic self-assessments" (Lenz & Sarens, 2012, p. 537). However, in the case of the surveys, this may have been mitigated somewhat by reverse-worded items.

Future Research

Future research could be developed in different ways. In continuing with the individual difference approach, the scale model needs to be tested on a wider auditor population to assess its construct validity and cultural effects across countries and organisational and national cultures. One could also investigate the possible impact of different hierarchical organisational structures and their various authority levels. To understand better the nature and causes of audit behaviour, future research could delve into one or more of the specific behaviours, to obtain a comprehensive, and perhaps a 360-degree perspective of the phenomena, their characteristics, and their impacts, through accessing data from auditees and stakeholders. For example, observational research studies of two key moments in the audit relationship, the opening meetings and the formal

adversarial meetings, would provide access to the actors in natural situations and provide meaning and context that interviews and questionnaires cannot. Such a methodology would also allow one to assess the influence of teamwork and team roles on audit processes and outcomes. This research could test the validity of the current research findings while also having direct practical application to improving audit processes.

Previous research has highlighted the critical role of the published audit report in influencing relations. Sentiment analysis of the text of published reports would provide data on the positive and negative attributes of reports such as their emotional tone, and the impact of opinions and attitudes on readers and users of the reports. A comparative analysis of similar reports across organisations and countries would provide a useful benchmark for assessing the impact of reporting on auditee and stakeholder relations. Finally, comparative studies of the behaviours of non-performance auditors, and other public sector auditors, could be performed to test the relational model and provide empirical evidence concerning its applicability to similar professional activities.

Reflexive Practice

The research adopted a post-positivist perspective to explore this specific professional relationship. The interpretive approach of Study 1 explored the phenomenon through the personal narrative of practitioners. The open design allowed for the interpretation of experiences and the questioning of accepted norms (Burchell, Clubb, Hopwood, Hughes, & Nahapiet, 1980). Study 2's quantitative design complemented Study 1 through its statistical analytical approach to developing a model of adaptive relational constructs. Reflexive scholars suggest that "empirical social science is very much less certain and more problematic than normally perceived" (Alvesson & Skoldberg, 2001, p. 2), due mainly to problems associated with selectivity and interpretation. For instance, it is possible that my interpretive effort to separate dispositional from contextual determinants led to the ordinal design of the psychological assets model. The qualitative evidence and techniques allow and require this latitude of discretion. However, as an evidence-based professional practitioner, this methodological approach felt comfortable, logical, and justifiable.

Concerning the quantitative study, although testing the hypotheses was facilitated by the quantitative approach, there were shortcomings to this experimental paradigm. For

instance, while correlations indicated the likely preferences and tendencies of individuals, they revealed nothing of the thinking or feeling behind their responses, and how they interpreted the survey questions. What people say when answering questions may indicate little about their reasoning, feelings, and behaviour (Nisbett & Wilson, 1977). People often have highly complex, context-specific and contradictory views that questionnaires cannot access but which techniques such as discourse analysis can (Potter & Wetherall, 1987). However, although the limited scope of the research did not provide generous space for exploring the tentativeness of the theories and concepts, the qualitative study went some way to “empower voices which have been subjugated by objective discourse” (Lynch, 2000, p. 36).

Different paradigmatic perspectives, such as psychodynamics, offer other insights into work behaviours. For example, psychodynamic theory regards organisations as dynamic collections of bodies and activities, with conflicting agendas, differing needs, and tensions between order and disorder. This dynamic landscape was evident from the participants’ interviews and the need to balance their assessments of disorder or negative outcomes with the goal of facilitating positive change. Psychoanalytics argues that the meanings we assign to and derive from work contexts may not always be apparent and that judgement and behaviour is influenced at the subconscious level by hidden meaning and motivations. For example, the auditor’s use of value-laden questions and terms referred to earlier (e.g. embarrassing mistakes), led to resistance and strongly defensive views from auditees, despite logical arguments. Therefore, some argue that we use social defences, such as procedures, processes, ways of allocating responsibilities to reduce work-related tensions, derived from primitive anxieties (Fineman, 2003). We also distort our internal versions of the world to avoid reality and reduce psychological pain (Varsina-Cobbaert & Varsina, 2008).

Similarly, in highly political organisations and bureaucracies, like those studied, individuals may fear that negative comments and deviant opinions will be used against them. Public sector auditors’ position of power can be experienced as a right to seek gratification for personal needs and not as taking unfair advantage of a position. Whereas some defensive processes in organisations may originate from the need to avoid tensions, fears, or objective dangers, others may derive from a desire for power and control. Despite this, power can also make individuals feel more responsible and can subordinate their interests to that of the greater good (Chen, Lee-Chai, & Bargh, 1999). These perspectives,

while outside the theoretical framework of this research, could provide alternative explanations for phenomena observed in the audit context.

Conclusion

The study offers new insights into the complex dimensions of relationships in PA. Previous research on PA has identified the conflicting roles of *catalyst* and *controller*, that performance auditors are required to perform, and its potential adverse effects on audit independence and audit impact. This study extended the knowledge by delving into the essence of the auditor-auditee relationship and its defining aspects. It contributes to research at a conceptual level first, by reviewing understanding on the professional audit relationship and confirming the distinctiveness of the role of the performance auditor from that of traditional auditors. In line with the propositions of social exchange theory, the modern public sector auditor has a more benevolent persona, of one who collaborates, assesses, negotiates, and influences the situation for the greater good. The findings also highlighted the interdependency between intrapersonal and interpersonal factors in the REM. To succeed, auditors must invest, not only personal resources or assets, such as *independence, competence, integrity, and trust*, in building and maintaining the relationship, but they must also be capable of moderating their behaviour at various stages to achieve optimal outcomes. Therefore, these personal resources are not so much dispositional, fixed, and intrapersonal factors but contextual attributes that are knowingly applied in the relationship to achieve a business relational goal. Second, the studies described and categorised auditor behaviours by illustrating and modelling the dimensions of the relational audit process and the influences on that relationship.

The research developed a scale to model the distinguishing relational attributes. It defined six main attributes of performance auditors, underlying and nourishing such professional relationships, namely, *Independence, Competence, Positive Personal Attitudes, Collaboration, Fairness, and Positive Change*. It also singled out the latter two attributes as forming distinctive constructs in a relational scale. Nevertheless, it would be useful if auditees' perspectives were also explored in subsequent research, to provide a full multi-dimensional representation of this relationship. Hopefully, it is through understanding the dynamics of relationships and self-knowledge of the strengths and limitations that one can focus on doing better and doing more of what works well.

Chapter 4: Changing Attitudes on Audit Relations

An audit should provide constructive and useful recommendations to auditees to improve financial management and facilitate organisational learning. However, poor auditor-auditee relations can adversely affect the quality and timeliness of reports. Weakened relations and trust between organisations also have a deleterious effect on collaborative projects and cooperation in general and present an opportunity cost of poor learning-transfer between auditor and auditee, in both directions (Ellis & Kruglanski, 1992; Nadler, Ellis, & Bar, 1990). Such situations lead to inefficiencies and extra costs to the taxpayer. In the public environment, where the citizen's trust in public institutions has been damaged, organisations entrusted with protecting and promoting the greater financial good, cannot afford not to cooperate and collaborate on shared goals.

This study designed, delivered, and evaluated a training intervention aimed at enhancing auditors' appreciation of the characteristics and dynamics of effective auditor-auditee relations. The research question addressed was: can training improve participants' attitudes towards the importance and value of good audit relations and could such relations be developed? The following section briefly looks at the theory and literature underpinning attitude formation and change, and the type of interventions that prove effective in this regard.

Changing Attitudes on Audit Relations

An attitude is defined as "a relatively enduring organization of beliefs, feelings, and behavioral tendencies towards socially significant objects, groups, events or symbols" (Hogg & Vaughan, 2005, p. 150). Changing attitudes through training, therefore, involves influencing affective evaluations, cognitive beliefs, and intentions. Although cognitive beliefs are stable over time, they can be altered through reflection, deep insights, and critical appraisal (Fishbein & Ajzen, 2010; Schüffel, 1983). Therefore, while attitudes are enduring, they are also amenable to intervention (Baxter, Singh, Standen, & Duggan, 2001). It is possible, therefore, to develop auditors' appreciation of, and sensitivity to, specific relational attributes by targeting their beliefs and interpreting their affective experiences. The purpose of the intervention was to raise their awareness of the benefits,

norms, and capacity for good relations. It was acknowledged, however, that changing perceptions and attitudes about relations might not necessarily result in improved behaviour and relationships, given the dyadic quality of the phenomenon, and the normative influences on individuals' behaviour (Fishbein & Ajzen, 1975). Interestingly, recent research on negotiation processes suggests that dyadic interaction-effects, characterised as "unique pairing between negotiators and their counterparts", explain more variation in outcomes than individual differences do (Elfenbein, Eisenkraft, Curhan, & DiLalla, 2018, p. 88). Moreover, behaviour is also mediated by one's intentions, which, according to the theory of planned behaviour, are determined by three kinds of beliefs: outcome belief, normative beliefs, and control beliefs (Ajzen, 1991). Therefore, changing attitudes to influence behaviours would require attention to each of these influencing factors and the capacity to measure behavioural changes. However, the intervention sought only to raise auditors' awareness of good auditee-auditor relationships; and inform participants of how to build relationships of trust, fairness, and collaboration in the audit process. It was hypothesised that, compared with the intervention group, the training would improve participants' awareness of the importance of good relations and how they could be developed and improved.

Conceptual Framework

The study adopted a post-positivist perspective and its conceptual basis was anchored in cognitive psychology, with the goal of raising auditors' conscious awareness of the specific relational aspects of their work and to reinforce positive attitudes towards developing adaptive professional relationships. Effective training requires pedagogically appropriate opportunities to acquire knowledge, skills, and attitudes by instruction, demonstration, and practice (Salas & Cannon-Bowers, 2001). Therefore, proper needs-analysis and scene-setting is a prerequisite for the design and delivery of effective training. In designing and delivering the intervention, the study took into account the motivational effects of participants' input into the content and design of the intervention and their voluntary participation at courses (Noe & Schmitt, 1986). It also drew on research indicating that sharing psychological theory can develop individuals' metacognitive regulatory capacities (Abraham, 2004), and that reinforcement for learning-transfer is essential for effective training (Holton & Baldwin, 2000). The study's evaluation component was based on the assumption that the intervention's learning effects (i.e.,

change of attitudes) could be measured using surveys and an independent measures design study (Kirkpatrick, 1994). To be effective, training should take account of the transfer environment, and be viewed as promoting the “application of newly acquired skills to do the job” (Salas, Tannenbaum, Kraiger, & Smith-Jentsch, 2012, p. 79).

Method

A synthesis of the themes and issues arising from the empirical qualitative study was used to define the intervention. This synthesis analysed the potential for improving the relationship between auditors and auditees and the challenges faced.

Participants

In collaboration with the professional training department of the ECA, a group of 34 potential participants, with approximately six or fewer years' experience in the ECA, was identified. The selection was based on their grade, experience, and gender. This group ($N = 34$) initially agreed to participate in the study. All were permanent officials and university graduates across a range of disciplines relevant to public sector audit. However, following their random allocation to intervention and non-intervention groups, eight of the non-intervention group assignees dropped out of the study. The majority of participants were male (male, $n = 15$; female, $n = 11$) and participants' mean time in the organisation was five years (Table 4.1).

Table 4.1

Demographics of Participant Groups

| Demographics | | No. | Intervention Group | No. | Non- Intervention Group |
|--------------------------|--------|-----|-----------------------|-----|-------------------------------|
| No. Participants | Male | 17 | 12 | 9 | 3 |
| | Female | | 5 | | 6 |
| Mean (years' experience) | Male | 4.5 | 4 | 5.5 | 5 |
| | Female | | 5 | | 6 |

Materials

Behavioural vignettes were designed, based on the results of the empirical study (Barter & Renold, 1999). Vignettes are “short stories about hypothetical characters in specified circumstances, to whose situation the interviewee is invited to respond” (Finch, 1987, p. 105; Hazel, 1995). They provide concrete examples of individuals’ behaviours and are a valuable technique for exploring people’s perceptions, beliefs, and meanings about specific situations (Hughes, 1998). Because the scenarios are hypothetical, participants can explore and clarify their judgements and define situations in their own terms, in a less personal, less threatening way, compared to interviews or group discussions. They are often used to obtain cultural norms derived from participants’ attitudes about a specific situation. Because of their standardised format, they also facilitate systematic comparison between responses. When writing the vignettes, experienced auditors were consulted to maximise verisimilitude, that is, authenticity, realism, and lifelikeness (Noe & Colquitt, 2002).

The vignettes depicted interrelational scenarios addressing the dimensions: auditors’ independence; professional competence; trust and openness of mind and behaviour; fairness of treatment of audit matter and individuals; cooperation and collaboration, and persuasion and positive auditing. For each dimension, one vignette took the perspective of the auditee and one of the auditor; both were followed by a set of questions about motivations, intentions, and preferred courses of action (see Figures 4.1 and 4.2). The vignettes were embedded in the PowerPoint presentation.

Trust & fairness: Scenario 1

You are about to start a performance audit and have arranged a meeting with the auditee to present the details of the proposed audit. You are still in the process of developing your audit plan, although you have already completed a detailed risk assessment of the area. What you would really like is to arrive at a common understanding with the auditees on what the key issues are and what would be reasonable performance criteria to apply. According to your colleagues these auditees can be quite difficult and adversarial when it comes to dealing with auditors. What is the best approach to take, having introduced yourself?

- A. *Explain why the audit is taking place, the basis and results of the risk assessment, and invite feedback and discussion on suitable performance criteria.*
- B. *Clarify with the auditee the powers, responsibilities, and competencies and experience of the audit team and take the discussions from there.*
- C. *Send the risk assessment, draft audit questions and audit criteria to the auditees in advance and invite feedback during the meeting, while stressing that the final decision on all aspects of the audit rests with the audit's reporting member and the approving Chamber.*

Figure 4.1. Vignette: Trust and Fairness - Scenario 1.

Positive auditing: Scenario 3

You have just joined a new audited entity as an experienced Head of Unit and find yourself at the receiving end of an ECA audit, which is currently being completed. As part of the ECA's "no surprises approach" the audit team has sent a clearing letter with its preliminary audit findings, which has not been replied to yet. You know from previous experiences with ECA that the final report can often be very hard hitting and contain a lot of unrealistic recommendations. Your team suggests that you follow the usual approach, wait and see, and then draft strong "damage limitation" replies. You don't see how that helps and would rather engage with the auditors early on to influence their conclusions and recommendations so that the report is fair and balanced. What would be the best approach?

- A. *Arrange a mini-conference to discuss the policy and the performance of the instruments, and invite audit team, experts, and the management team to actively participate.*
- B. *Suggest to the audit team that you would like to receive a copy of the draft conclusions and recommendations before being formally approved for adversarial procedure, in order to hold discussions and give feedback as early as possible.*
- C. *Follow your team's advice and don't start consulting with the ECA on their documents in preparation. In particular, don't discuss recommendations until preliminary findings have been responded to officially.*

Figure 4.2. Vignette: Positive auditing - Scenario 3.

An analysis of peer review reports on the functioning of Supreme Audit Institutions (SAIs) was also used as input in the design of the intervention (INTOSAI, 2016c). These reviews are systematic assessments of the functioning of a SAI from a strategic, technical, and operational perspective. They assess whether a SAI is achieving its goals and the standards it has adopted to meet them. They are conducted voluntarily by peers at the invitation of the SAI. An analysis of 38 such reports in English, issued in the period 2001 – 2015, showed that 17 of the 38 reports (45%) raised specific issues of good and bad practices concerning relations with auditees.

The evaluation programme involved a two-wave attitudinal survey of the intervention and non-intervention groups. The pre-intervention *attitudes survey* instrument was developed from behavioural statements used in the empirical study (see Appendix M). A post-intervention *satisfaction survey* on participants' perception of the usefulness and delivery of the intervention was prepared, corresponding to Kirkpatrick's (1994) trainees' reactions feedback. A post-intervention *attitudes survey* instrument was then developed that included the PAR scale and extra items intended to measure attitudinal changes (see Appendix N).

Training Needs-Analysis

The training need was identified following a review of training pathways for auditors in the organisation. This involved a review of existing courses compared with organisational change initiatives that had occurred, strategic organisational priorities, professional standards, and auditor competencies. This review endorsed the need for a training intervention focused specifically on enhancing the development and maintenance of good auditee-auditor working relations. This need was also supported by the results of the empirical research study on auditee-auditor relations. These results included acknowledged instances of maladaptive behaviours, such as poor communication, cooperation, and collaboration; lengthy and conflictual clearing procedures for audit findings and reports; poor pre-audit consultations with auditees, and the repeated rejection of audit recommendations by auditees. Therefore, a specific intervention to promote adaptive professional audit relations was agreed with management as an added benefit to new audit staff. The learning goals were to complement existing audit communication

skills courses by contributing to improving auditors' social intelligence, open-mindedness, and perspective-taking, and by raising awareness of specific auditor relational issues.

Training Intervention

The training intervention consisted of two parts. First, a three-hour workshop with three components: (1) a presentation of the theories and concepts underlying the building and maintaining of professional audit relationships, accompanied by examples; (2) a presentation and discussion on the results of the earlier relational survey of auditors in the organisation, and (3) vignettes exploring relational issues, followed by multiple-choice questions, electronic voting, and discussions. Trainees were expected to increase their awareness of effective audit relational decision-making and techniques by working through the vignettes and relating these to theories, concepts, and contexts previously presented. This approach to behavioural role modelling has been found to be effective in developing interpersonal skills (Baldwin, 1992; Taylor, Russ-Eft, & Chan, 2005). The presentation also drew on anonymised illustrative examples of audit relations taken from interviews with auditors as part of the empirical research study, and the analysis of peer reviews of SAIs.

Second, research has shown that reinforcement (formal and informal) is critical for learning-transfer (Chiaburu & Marinova, 2005; Holton & Baldwin, 2000) and that debriefing sessions (Brock, McManus, & Hale, 2009) and guided reflection can promote skill maintenance (Lee & Sabatino, 1998). Therefore, a facilitated discussion was held with the participant group six months after the first training intervention to reinforce learning. This discussion group explored relational themes, features of the transfer environment (Grossman & Salas, 2011), their experiences and behaviours since the initial training, and opportunities to adopt new approaches to auditee relations.

Procedure

Participants were allocated a unique number for analysis to ensure their anonymity. The ethical considerations of confidentiality, right to withdraw, and the voluntary nature of their participation were explained in the invitation. The study was approved by the university's ethics review committee and by the ECA's management. Participants were randomly assigned to the intervention and non-intervention groups. The intervention

group ($n = 17$) participated in the training intervention, the pre- and post-evaluation surveys, and the discussion group ($n = 12$). The non-intervention group ($n = 9$) only participated in the pre- and post-evaluation exercises.

A pre-intervention attitudinal survey was conducted for both groups one week before the intervention. The intervention group then attended the classroom at the allotted time and was briefed regarding the purpose and intended outcomes of the training and the study. Briefings have been shown to increase trainees' motivation, which is positively linked to trainee satisfaction and learning (Klein, Noe, & Wang, 2006; Noe & Colquitt, 2002). A short presentation of the concepts and ideas and their application was followed by vignettes. Using electronic voting equipment, which allowed for simultaneous and anonymous voting, participants were invited to select the optimal solution for dealing with the issues and contexts. Following each vote, the cumulative responses were displayed on screen and participants were invited to discuss the outcome.

Six months later, the intervention group was invited to participate in a two-hour facilitated discussion group on audit communications and relations (see Figure 4.3). Skill decay of 90% has been shown to occur one year after training (Arthur, Bennett, Stanush, & McNelly, 1998). Therefore, the hybrid design of initial training and group discussions would reinforce the relational themes and issues in the participants' minds. Twelve of the 17 participants invited attended the meeting; absences were due to work demands. Some days before the meeting, participants were provided with guidelines on audit communications, new guidance on writing audit recommendations and holding discussions with auditees, and a synthesis of the earlier course presentation. They were also provided with a list of 14 questions that would be used to guide the discussion group (see Appendix O). The meeting was managed by an independent facilitator, and detailed notes were taken of the participants' contributions. Qualitative data from the discussion group were then analysed and synthesised. The post-intervention survey was run for both intervention and non-intervention groups, four weeks after the discussion group.

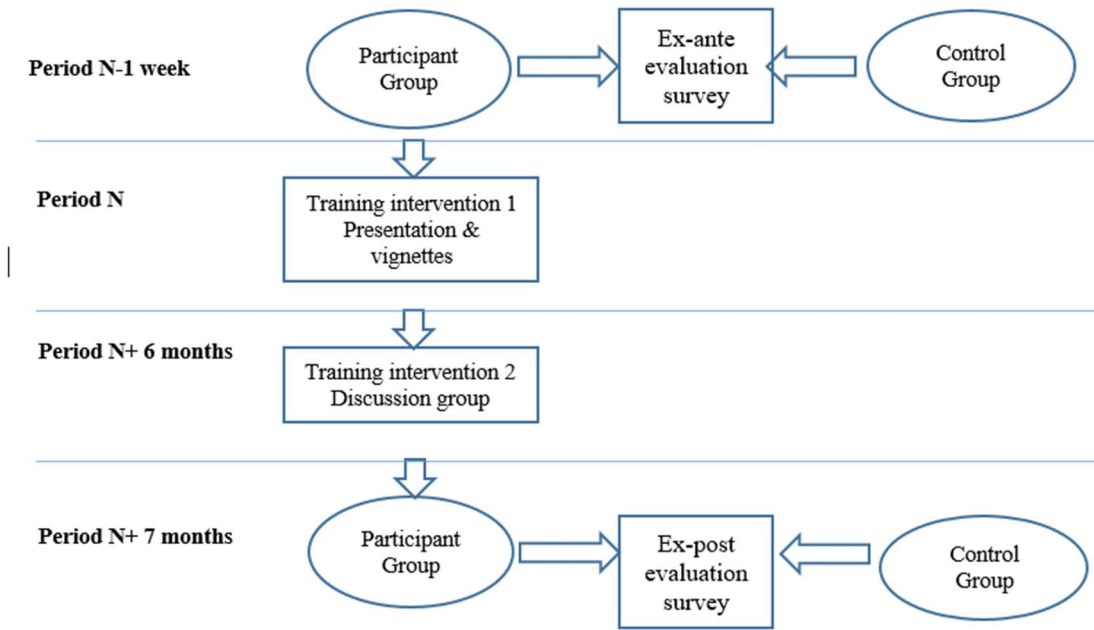


Figure 4.3. Intervention and Evaluation Process.

Evaluation

Training evaluation can have two main purposes: to assess whether learning objectives were achieved, and whether the intervention has improved performance (Kraiger, 2002). Many factors have been shown to impact on the effectiveness of training: transfer processes (Grossman & Salas, 2011); training motivation (Colquitt, LePine, & Noe, 2000); individual differences (Noe & Schmitt, 1986), and performance measurement (Cannon-Bowes, Tannenbaum, Salas, & Converse, 1991), among others. To explore the learning effects of the training intervention (Kirkpatrick, 1994), an independent measures design was selected. Three surveys were conducted: a pre-intervention survey run one week before the training intervention, and two post-intervention surveys (satisfaction and attitudinal), held one week after the intervention, and one month after the discussion group, respectively. The surveys captured affective, cognitive, and behavioural information to reflect the intended learning outcomes (Kraiger, Ford, & Salas, 1993). The post-intervention satisfaction survey consisted of three closed questions and two open questions and was used to assess participants' reactions and perceptions of the usefulness of the initial intervention. It achieved a 67% response rate. The longitudinal approach facilitated the measurement of possible changes in attitudes, the exploration of the reasons for the change, and possible linkages between them (Hillyer, 1998; Kirkpatrick, 1994; Walker &

Leisering, 1998). Research has shown that unmet expectations reduce post-training commitments and the motivation of participants (Sitzmann, Bell, Kraiger, & Kanar, 2009). Therefore, the satisfaction survey and discussion group provided the means to assess unmet expectations and their possible impact on the effectiveness of the intervention. The data from the quantitative survey questions were analysed using descriptive and inferential statistical tests. The results of a post-training satisfaction survey of the participant group were analysed to assess participants' perceived usefulness of the training intervention, as an antecedent of training motivation and transfer (Sitzmann et al., 2009).

Results

Satisfaction Survey

Over three-quarters of respondents found the course useful (Table 4.2). They reflected on the episodic, recurrent nature of auditee relations, and appreciated the combination of theory and models to explain the auditor-auditee relationship. They also appreciated reflecting on their colleagues' perceptions of relational situations and problems. However, although the examples provided were useful and thought provoking, they suggested that greater use be made of practical cases, and they recommended good practices be included in the course, to complement better the theoretical element of the course.

Table 4.2

Course Satisfaction Ratings

| Questions | Mean Score % |
|---|-----------------|
| 1. To what extent did you learn what you needed in this course? | 79 |
| 2. To what extent did your trainer help you to learn? | 88 |
| 3. Overall, how would you rate this course? | 83 |

Statistical Analysis

Descriptive statistics for the results of the pre-intervention attitudinal survey of intervention and non-intervention groups are presented in Table 4.3. The mean represents the mean of the aggregate of all item scores for each group. The similarity of the means indicated similarities in relational attitudes between the two groups.

Table 4.3

Pre-intervention Survey: Mean Standard Deviation and Standard Error of Mean

| | N | Mean | Std. Deviation | Std. Error Mean |
|------------------------|----|------|-------------------|--------------------|
| Intervention group | 17 | 2.75 | .16 | .04 |
| Non-intervention group | 9 | 2.75 | .09 | .03 |

An independent-sample t-test was used to assess whether there was a significant difference in the attitudes of the two groups about auditee communications and relations before the training. There was no significant difference between the scores: $t(24) = -.05, p = 0.96$, two-tailed test. Therefore, it was concluded that the intervention and control groups had similar attitudes.

The post-intervention attitudinal survey was completed by 14 participants (intervention: $n = 7$; non-intervention: $n = 7$), representing an 54% response rate. Descriptive statistics for the results are presented in Table 4.4. The mean scores of the groups were close in value, indicating similarities in relational attitudes between the groups.

Table 4.4

Post-intervention Survey: Mean Standard Deviation and Standard Error of Mean

| | N | Mean | Std. Deviation | Std. Error Mean |
|------------------------|---|------|----------------|-----------------|
| Intervention group | 7 | 3.25 | .37 | .14 |
| Non-intervention group | 7 | 3.23 | .40 | .15 |

While the intervention group scored slightly higher than the control group post-training, as indicated by the higher mean score, an independent-sample t-test showed that there was no significant difference between the scores: $t(12) = .1, p = 0.92$, two-tailed test. Therefore, the intervention failed to have a significant effect on the attitudes of the participants. A two-way mixed ANOVA was also conducted to investigate the impact of factors: intervention and time on the attitudes of participants towards auditees. There was no significant interaction between the factors: $F(1, 1) = 0.01, p = .923$.

Discussion Group

The participants highlighted some relational challenges they faced as performance auditors. First, coherence between the understanding of senior management and the audit team, on the purpose and scope of the audit, could sometimes change during the audit. Second, they feared that sharing audit and reporting deadlines with the auditee sometimes led to auditees delaying delivery of information and documents, to shorten auditors' time for analysis. They also reported the practice of auditees supplying too many documents, to

overload the audit team. It emerged from the discussions that rapport building through phone calls, complemented by e-mail, was considered more productive in relations-building, rather than merely sending formal e-mails requesting documents.

Participants believed that auditees were not always aware of the purpose and processes of PA. This adversely affected relations with the auditee, including long delays in arranging meetings. Thus, greater efforts on the part of management and auditors to communicate the objectives and the planning of work could be useful in obtaining commitments from auditees. Similarly, sending formal audit notification letters to auditees by e-mail, which was discontinued for efficiency gains, could be re-introduced to facilitate the established practices of the auditees. Increasing use was being made of video-conferencing with the auditee, as a time and cost-saving means of holding meetings. However, losing physical contact created a barrier to communication, owing to the absence of physical presence, reduced body-language, and the absence of informalities. Although the medium allowed both sides to confer privately with their teams, with microphones muted, it was felt that the medium sometimes contributed to reinforcing partisan positions on both sides of the screen.

Regarding the effects of auditor competency on relations, they reported problems faced by resource auditors (referred to as *jumpers*), who were not members of the audit team but who accompanied audit teams on audit visits to the Member States for language or other support. Such auditors reported difficulties in acquiring sufficient insight into the subject-matter to fully engage with the audit and conclude on the facts. This situation produced a trade-off between time-budgets and work quality and adversely affected the staff's perceived competence and legitimacy.

Discussion

No significant differences were found between the relational attitudes of the intervention and non-intervention groups. Although the mean score of the two study groups increased over the intervention period, the intervention failed to achieve a measureable attitude change in the course participants. It did, however, increase participants' understanding of the theory and practice of good auditee-auditor relationships, as evidenced by the post-intervention feedback and the group discussions. There are many possible interpretations for this result. First, the study and intervention were based on the premise that attitudes are amenable to intervention, and therefore, auditors' appreciation of specific relational attributes could be raised through increased awareness (through attitudinal surveys and a training course) and by exploring and interpreting their experiences (through a discussion group). However, certain attributes or individual differences may not be so amenable to change. Mangione et al. (2002) found that the empathy scores of physicians remained stable during internship, despite targeted interventions, suggesting that empathy is a relatively stable trait. As empathy is an integral element of auditor's attributes of fairness, openness, and positive change, as reflected in intervention and measurement instruments, this may account for the result. A lack of capacity to change can also result from social inertia, a behavioural tendency for the status quo (Bourdieu, 1985). While this phenomenon is attributed to loss aversion, an emphasis on losses rather than gains (Kahneman & Tversky, 1979), recent research suggests that a lack of motivational drivers, along with ill-defined preferences, explain this behavioural tendency better (Gal, 2006). Therefore, the absence of concrete incentives and clear goals for auditors to further develop relations with auditees and engage in collaborative activities, could also explain their unvarying attitudes.

The lack of effectiveness of the intervention may also have been due to its nature and content. First, although a training needs-analysis was conducted at an organisational level, it did not include an in-depth analysis of the knowledge and skills required (job-analysis), or at whom they should be targeted (Tannenbaum & Yukl, 1992). For instance, it emerged from the discussion group that several challenges faced by auditors were due to organisational and procedural issues beyond their influence, especially those more junior. Moreover, a mis-alignment with participants' perceived needs is suggested from the results of the satisfaction survey, where some expressed a preference for more practical solutions to address real relational issues with auditees, rather than theoretical content. Thus, input

by prospective trainees into the design of the intervention might also have enhanced its impact (Baldwin, Magjuka, & Loher, 1991). Nevertheless, this additional research would have required significant extra time and resources owing to the specificities of different audit chambers' practices.

The outcome may also be the result of deficiencies in the evaluation methods. First, because of time and resource constraints, the intervention survey instruments were not trialled to determine if they could accurately measure the specific changes in attitudes. Although many types of change could have occurred, for example, narrative, re-interpretative, attitudinal, and personal knowledge (Lewis, 2007), only attitudinal change was measured. Finally, it is possible that the absence of a significant change in attitudinal scores might also have reflected a consistency and maturity in the attitudes of auditors with such experience (Saldana, 2003).

Reflective Practice

A more qualitative approach to evaluating the intervention would have allowed for a deeper exploration of the change dynamics within the individual, the team and the organisation, and the reasons for change or lack thereof (Walker & Leisering, 1998). Although in professional business training, the knowledge base and interventions often derive from cognitive psychology, in exploring the relational and behavioural changes, psychoanalytic theory could also have provided explanatory power, in particular, concerning negotiated relational positions. For instance, the metaphor of silos and the boundaries created in the minds of staff can explain how staff (in this case, auditors), cognitively and emotionally discriminates and protects itself from conscious and unconscious external threats. Individuals are often unaware of how these "shared psychic artefacts and taboos" influence their actions and those of others and how they affect the functioning of their organisations (Diamond & Allcorn, 2009, p. 36). Consequently, action research capturing individuals' work experiences and narratives could have positively influenced group identification and personal professional identities. Nevertheless, the cognitive theoretical approach taken facilitated a synergy between the research studies and provided an epistemological basis to which participants (and management) would be more accustomed and, therefore, receptive.

Limitations

Some research limitations must be considered when interpreting the findings and the intervention's failure to produce a significant effect. First, the number of participants was low, as this was a non-mandatory pilot course undertaken in the ECA. Although the number of participants in the intervention group was close to the limit for such training events, it was impossible in the context of the organisation, to run multiple courses. In addition, it was difficult to encourage participation by the non-intervention group in the study. Participants' initial motivation waned during the study, resulting in drop-outs at the evaluation stage. Moreover, although participants were randomly assigned to the study groups, besides gender, no control was conducted for other participant characteristics, such as age, culture, and previous academic and professional background. Owing to the limited scope of the study, it also lacked control over extraneous factors that may have influenced participants' responses, such as work pressures, specific departmental experiences, and politics. This absence of controls may have affected the validity of the results due to the possible non-equivalence of the groups.

A further limitation was the delivery and assessment of the intervention within one year. This meant that participants did not have sufficient opportunity to internalise and operationalise the learning, by transferring it to their specific environment. Therefore, there was little opportunity for reinforcement of the training actions through conscious behavioural intentions and concrete behaviours (cognitive dissonance theory: Festinger, 1957). Perhaps, then, the expectation that one intervention could bring about significant, measurable changes to auditors' attitudes and mind-set was, therefore, over-ambitious, given the circumstances, and research findings on the need for a systems-based approach to training (Salas et al., 2012).

Future Research

Further research would be useful in the following areas. First, in socialisation and acculturation of new auditors to the institution, research could usefully examine the effects and benefits of existing induction programmes. For instance, research suggests that newcomers often feel less respected (Branscombe, Spears, Ellemers, & Doosje, 2002), and more anxious than their established group or department colleagues (Moreland, 1985). Evaluations could assess the extent to which this aspect is addressed in programmes.

Second, a common intervention between auditors and auditees, with joint design input, would be useful in addressing issues through mutual exchange and discovery. This could be designed and delivered by an external training body or joint institutional training project. Research could also identify specific cases of best practice in the organisations, and explore how adaptive and innovative relational actions might be piloted by audit teams, and between audit teams and auditee departments. Third, the integration of such training interventions in the training paths of the organisation, including evaluation components, would provide greater legitimacy to the course and therefore, possibly increased commitment from auditor participants. Lastly, to follow-up the reported experiences of auditors on video-conferencing, research could assess auditor-auditee interactions, using observational analysis, including video-recording analysis of the communication process. This research would allow detailed analysis of the psychological assets used by auditors (e.g., competence, fairness, independence, trust, openness), and verbal and non-verbal communications of both auditors and auditees. The results would provide excellent source material for future training interventions in relational processes, like negotiation and meeting skills.

Conclusion

Changing attitudes and perceptions through training involves influencing affective evaluations, cognitive beliefs, and intentions. Although the pilot intervention had no significant direct effect on the attitudes of the participants, it raised awareness and interest, and encouraged reflection on personal and professional challenges and possible solutions. This study contributed to knowledge by designing, delivering, and evaluating an intervention specifically aimed at relational aspects of audit. It innovatively used research-based learning content from the empirical study in the design and delivery of the intervention, and in applying theories on professional communication and relations to a new professional group, in a public sector audit setting. Practically, the study addressed an identified need in the organisation to develop auditors' understanding of audit relationships, beyond acquiring communications skills. Finally, research is required to better adapt the intervention to the practical needs of audit professionals while also considering an integrative action-learning approach that would encompass the sharing of perspectives from both sides of the professional fence.

Chapter 5: Interorganisational Learning and Accountability

Organisations are “social arrangements for the controlled performance of collective goals” (Buchanan & Huczynski, 1991, p. 7). To remain competitive, organisations must have efficient knowledge management and knowledge-sharing processes, be exposed to new ideas from their external environment, and react and adapt accordingly. Many studies have examined knowledge-sharing and knowledge-transfer, both from an intraorganisational and interorganisational perspective (Hagedoorn & Narula, 1996; Mason & Leek, 2008; Van Wijk, Jansen, & Lyles, 2008). However, despite the crucial role played by public organisations in society, few studies have looked in depth at the opportunities for interorganisational learning (IOL) in this sector, and the interplay between interorganisational collaborative learning and accountability relationships.

Important reasons exist for conducting such a study. First, current theories on organisational learning (OL) and accountability lack paradigmatic consensus and accepted definitions and theories to explain their characteristics and functioning (Rashman, Withers, & Hartley, 2009). This deficit inhibits theoretical advancement in this domain. Second, how, and the extent to which, the knowledge of public sector audit bodies is shared with other organisations and stakeholders has not been subject to much academic research. Opportunities for such sharing are rarely explored, and extensive information and knowledge are seldom shared, due perhaps to the independence and impartiality of audit bodies. Third, although extensive research has explored interorganisational learning in the private sector, the specific barriers and enablers of such activity, in the complex policy-driven, political environment of the public sector, have not been examined (Hartley & Skelcher, 2008). Two schools of thought exist on this phenomenon: one, that interorganisational learning and accountability constitute opposing forces and that audit is detrimental to learning and improvements (Halachmi, 2002; Lonsdale, 1999); the other, is that effective accountability should encompass a learning perspective (Aucoin & Heintzman, 2000). This study aimed to show the potential for developing a learning perspective with an accountability framework.

This literature review provides a first step to consolidating an understanding of the subject, which is still quite heterogenic and primarily of a conceptual nature. The review begins by introducing some of the fundamental theories and concepts. It then describes the

methods that were followed. The results are then presented and discussed by examining the main questions addressed, the key areas of debate, and any outstanding questions. The review then presents the emerging themes and discusses their importance from theoretical and practical perspectives.

Organisational and Interorganisational Learning

The diverse research area of OL, which is dominated by the private sector (Rashman et al., 2009), has no widely accepted theory or unifying model (Fiol & Lyles, 1985). One school of thought defines OL as “a process of individual and shared thought and action in an organisational context, involving cognitive, social, behavioural and technical elements” (Rashman et al., 2009, p. 470). The other defines it as “a carefully planned and executed set of policies and practices designed to enlarge the knowledge base of the organization” (Pucik, 1991, p. 127). One could argue that the positions are not mutually exclusive, and that the social nature of learning can be strategised in an organisational context, encompassing social activities and practices at many levels - individual, organisational, and environmental (Weick & Westley, 1996). This means that, from a cognitive perspective, organisations can define and implement learning and interorganisational learning strategies that address their specific needs, and make best use of the cognitive and social intelligence of their staff, while taking account of the specific characteristics and environment in which they operate. In addition, from a social learning perspective, staff engages individually and collectively in transforming knowledge from tacit to explicit and explicit to tacit, for the benefit of their organisation and collaborating organisations (Argyris & Schön, 1978, 1996; Nonaka & Takeuchi, 1995).

In the public sector context, interorganisational learning occurs through organisations adopting appropriate structures and processes conforming to the norms and values of their stakeholders (Meyer & Rowan, 1977), in carrying out their mission, and through normative influences (DiMaggio & Powell, 1983), such as audit, reviews, and parliamentary oversight. Supreme Audit Institutions (SAIs) are expected, not only to provide this “normative”, accountability information, but also be a “credible source of independent and objective insight and guidance to support beneficial change in the public sector” (INTOSAI, 2013, p. 9). However, the relationship between the audited body and audit institution is sometimes ambiguous and not always friendly (Laffan, 1999). Therefore, due

to audit institutions' accountability-oversight role and professional ethics, they do not provide consultancy services nor engage in collaborative and systematic exchanges of knowledge. Recently, researchers have expressed the need for public sector auditors to develop a greater pedagogical role by developing participatory mechanisms and promoting best practices (De Bondt, 2014; Gendron et al., 2007; Lonsdale & Bechberger, 2011; Effective Institutions Platform [EIP], 2014; Schillemans, 2008; Stephenson, 2015). This study explores how this might come about by reviewing current research in this field.

Conceptual Framework

The study took the positive current approach to management as a theoretical orientation (Sułkowski, 2017). This was considered appropriate due to its congruence with a strength-based approach to organisational management, which is the central pillar of this thesis, in seeking to identify the potential of public audit to adopt positive and collaborative initiatives with its stakeholders, towards the improvement of public management. This paradigm, which is similar to positive organisational scholarship (Dutton & Heaphy, 2003), focuses on positive patterns, dynamics and processes in organisations, such as cooperation and positive and open attitudes in communication and management processes (Baker et al., 2003). Therefore, the starting point was the proposition that collaborative IOL learning between public organisations in an accountability setting is a possible and desirable goal, leading to better governance and improved effectiveness and efficiency for organisations (EIP, 2014). Although the psychodynamics of organisations can also explain organisational behaviours, such as how individuals, groups and organisations operate inside and across boundaries, and the role of boundaries in containing anxiety (Czander, 1993), it was expected that the literature on organisational learning would largely come from the realist-positivist perspective.

Method

Literature Search Strategy

The research was conducted in five stages: problem identification, literature search, data evaluation, data analysis, and presentation (Whittemore & Knafl, 2005). A systematic review protocol was used to guide the review process (Petticrew & Roberts, 2006) containing the objective of the review; the strategy for identifying studies; inclusion and exclusion criteria, and the plan for extracting, analysing, synthesising, and critically appraising the data. Before formulating the research question, a brief review of the literature was conducted to assess the volume of research, the leading study design, principal issues, relevant theories, and their interrelations. The objective of the study was to integrate and synthesise the findings and to critically evaluate the outcomes on central and contested issues. The search was limited to peer-reviewed, published primary and secondary research studies (all designs) published up to July 2017, which focused the review on authoritative, good quality studies. The exclusion criteria were: non-English articles; non-peer-reviewed studies; articles on learning exclusively at the level of the individual and pertaining solely to specific professions; descriptive papers without clear theoretical or empirical data, and non-accessible articles. The review was not limited to public sector studies, owing to the lack of literature.

Search Procedure

A matrix was used to track the keywords, literature, and source databases, and data extraction sheets were used for reviewing and synthesising the articles (Miles & Huberman, 1994). An initial scoping study ($N = 84$) identified keywords related to the subject-matter. These were used to obtain a comprehensive overview of the topic by searching the following electronic databases: Wiley Online Library ($n = 1,466$), SAGE Journals ($n = 658$), ScienceDirect ($n = 2,091$), BPS PsychSource ($n = 80$), Taylor and Francis Online ($n = 323$), Business Source Premium ($n = 1,307$), ERIC ($n = 514$), Academic Search premier ($n = 167$), and Web of Science ($n = 484$). The following keywords were used for the primary search of titles and abstracts: *accountability AND learning; inter-organi?ation* knowledge; inter-organi?ation* learning; inter-organi?ation* learning; interorgani?ation* knowledge; interorgani?ation* learning; interorgani?ation* learning, dynamic accountability, informal accountability; collaborat**

accountability; collaborat audit; public sector learning; public accountability AND learning*. The search identified 7,090 articles.

Screening and Selecting

Titles and abstracts of articles were screened for relevance using the inclusion criteria. Where the information in the abstract was inconclusive, the full article was reviewed. The documents and citations of the 12 articles retained from the primary search ($n = 48$) were then scanned for further relevant articles, meeting the inclusion criteria (snowballing). This phase resulted in a further five articles, two of which were included in the selection. All reviewed articles ($n = 14$) dealt with one or more constructs specified in the research question. The process is shown in Figure 5.1.

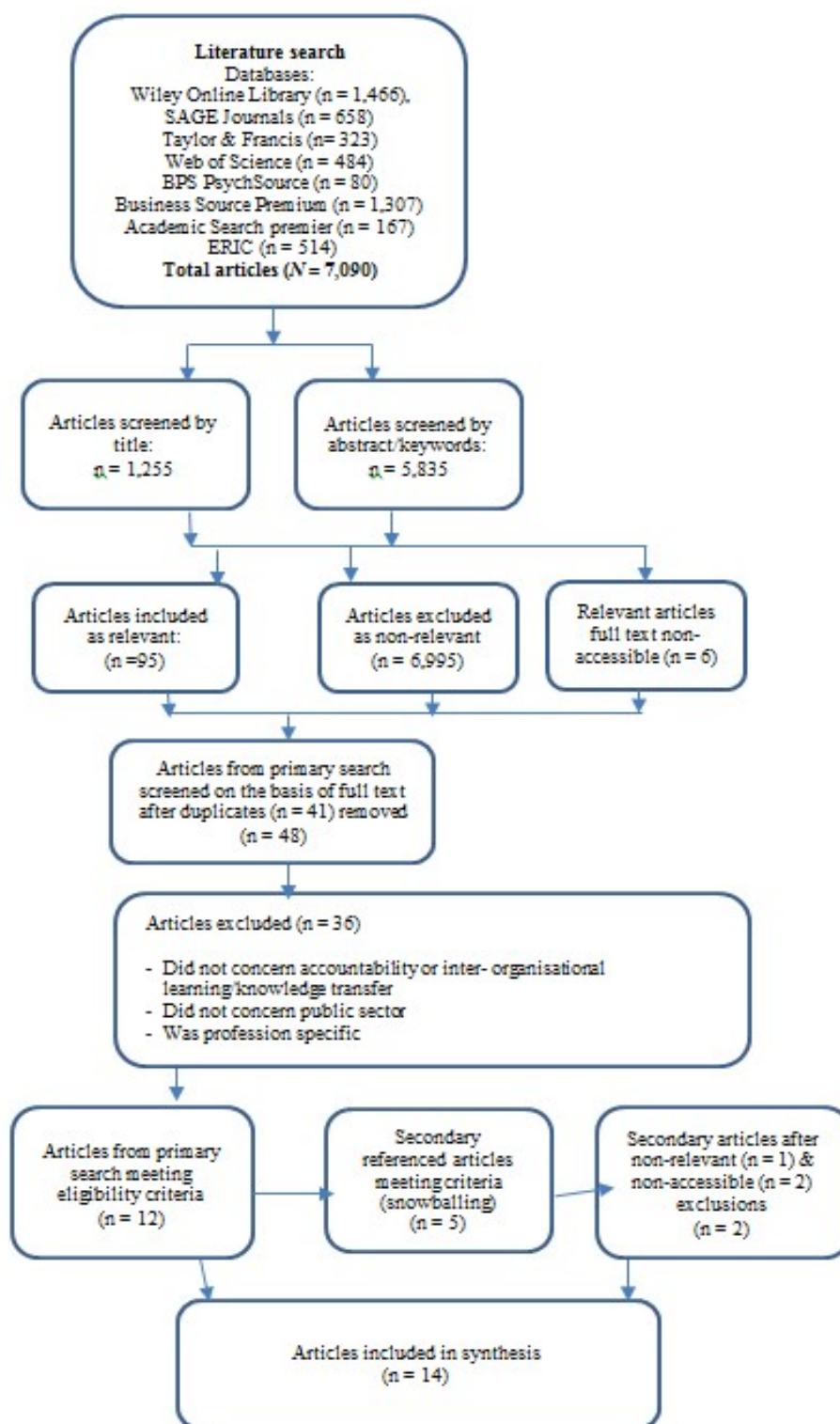


Figure 5.1. Search and Screening Process.

Quality of Studies

The quality of the studies was assessed using a checklist (see Appendix P) derived from pre-existing tools (Denyer & Tranfield, 2009; Dickson, Cherry, & Boland, 2014; Petticrew & Roberts, 2006). The texts were read several times and were then scored by 20 criteria, classified as either *Strong* = 3, *Moderate* = 2, or *Weak* = 1, combining to give an overall numerical score. To accommodate the different types of studies, the number of quality criteria specific to empirical and theoretical/conceptual issues was balanced and grouped under the criteria headings, *conceptual basis*; *study design*; *data collection*; *analysis*; *results*, and *originality and application*. The sub-total scores of these groupings were averaged and then totalled to give an overall rating per study. Studies in the range 13 – 18 were categorised as *strong*, 7- 12 as *moderate*, and those rating six or lower, as *weak*.

All studies were of sufficient quality for further analysis and synthesis. The majority were rated as *moderate* to *strong* in quality, with nine of the 14 studies (64%) considered as *strong*. Five of the articles concerned empirical studies and were all considered *strong* in quality. Overall, the criteria, *originality and application* and *conceptual basis* were rated highest, at 39/42 points (93%) and 37/42 points (88%), respectively. The weakest quality category overall was *data collection*, at 18/42 points (43%), reflecting a lack of detailed information about how the sample population (either studies or participants) was selected, consideration of its relevance, and the reliability and consistency of methods for measuring the variables. Although empirical studies rated higher than theoretical papers overall, at the criterion level, the description of the validity and reliability measures in the results sections was weak or absent, giving an average rating of 12/42 (29%). They also suffered from a lack of critical, theoretical, and conceptual analysis, with a rating of 16/42 (38%). A summary of the results, by category and descending quality ranking, is shown in Table 5.1.

Table 5.1

Quality Assessment of Studies

| | Article reference | Origin of Study | Type | Conceptual basis of study | Study design | Data collection | Analysis | Results | Originality and application | Total score/article |
|--------------------------|--|-----------------|-------------|---------------------------|--------------|-----------------|----------|---------|-----------------------------|---------------------|
| 1 | Chen, Lin, & Yen (2014) | USA/Taiwan | Empirical | 3.00 | 2.67 | 2.25 | 2.00 | 3.00 | 3.00 | 15.92 |
| 2 | Schillemans & Smulders (2016) | Netherlands | Empirical | 3.00 | 3.00 | 1.75 | 1.67 | 2.00 | 3.33 | 14.75 |
| 3 | Rashman & Hartley (2002) | UK | Empirical | 2.75 | 2.33 | 1.75 | 2.00 | 2.00 | 3.00 | 13.83 |
| 4 | Rashman, Withers, & Hartley (2009) | UK | Theoretical | 2.25 | 3.00 | 1.50 | 2.00 | 2.00 | 3.00 | 13.75 |
| 5 | Holmqvist (2003) | Sweden | Theoretical | 3.00 | 2.33 | 0.69 | 3.00 | 1.33 | 3.00 | 13.35 |
| 6 | Van Winkelen, (2010) | UK | Empirical | 2.25 | 1.67 | 1.50 | 2.00 | 3.00 | 3.00 | 13.42 |
| 7 | Schillemans, Van Twist, & Vanhommerig (2013) | Netherlands | Theoretical | 2.75 | 2.33 | 1.25 | 2.67 | 1.33 | 3.00 | 13.33 |
| 8 | Romzek, LeRoux, & Blackmar (2012) | USA | Theoretical | 3.00 | 2.33 | 1.50 | 2.00 | 1.33 | 3.00 | 13.16 |
| 9 | Schillemans (2008) | Netherlands | Empirical | 3.00 | 2.67 | 1.75 | 0.67 | 2.33 | 2.67 | 13.09 |
| 10 | Aucoin & Heintzman (2000) | Canada | Theoretical | 2.75 | 2.00 | 1.00 | 2.33 | 1.33 | 3.00 | 12.41 |
| 11 | Nooshinfard & Nemati-Anaraki (2014) | Iran | Theoretical | 2.75 | 1.67 | 0.75 | 1.67 | 1.00 | 2.33 | 10.17 |
| 12 | Sørensen (2012) | Denmark | Theoretical | 2.50 | 1.33 | 1.00 | 2.33 | 1.00 | 3.00 | 11.16 |
| 13 | Greiling & Halachmi (2013) | Austria | Theoretical | 1.75 | 2.00 | 0.25 | 0.67 | 2.00 | 2.67 | 9.34 |
| 14 | Easterby-Smith, Lyles, & Tsang (2008) | USA/Europe | Theoretical | 2.25 | 1.67 | 0.75 | 1.33 | 1.00 | 1.67 | 8.67 |
| Total score per criteria | | | | 37 | 31 | 17.69 | 26.34 | 24.65 | 39.67 | |

To reduce the risk of rater bias, a second researcher independently rated a random sample of five of the 14 articles using the same quality framework. Table 5.2 presents the comparable scores.

Table 5.2

Inter-rater scores: Mean, Standard Deviation and Standard Error of Mean

| | Rater | N | Mean | Std. Deviation | Std. Error Mean |
|---------------|---------|----|-------|----------------|-----------------|
| Quality Score | Rater 1 | 35 | 34.21 | 389.48 | .66 |
| Quality Score | Rater 2 | 35 | 35.62 | 388.02 | .66 |

An independent-samples t-test was conducted, which indicated no significant difference between the scores of the raters; $t(68) = .152, p = 0.88$, two-tailed test (Table 5.3).

Table 5.3

Inter-rater Scores: Test of Significant Difference

| | | Levene's Test for Equality of Variances | | t-test for Equality of Means | | | | | | | |
|----|--------------------------------|--|------|------------------------------------|----|---------------------|--------------------|--------------------------|----------------------------|--------|-------|
| | | F | Sig. | t | df | Sig. (2- tailed) | Mean Difference | Std. Error Difference | 95% Confidence Interval | | |
| | | | | | | | | | | Lower | Upper |
| QS | Equal variances assumed | .021 | .885 | -.152 | 68 | .880 | -.141 | .93 | -199.52 | 171.35 | |
| QS | Equal variances not assumed | | | -.152 | 68 | .880 | -.141 | .93 | -199.52 | 171.35 | |

Data Extraction

Data extraction sheets were used to facilitate the analysis and synthesis of the papers. The extraction criteria used are shown in Table 5.4. The extracted data were examined to identify patterns, themes, and relationships between the studies, and a synthesis was prepared.

Table 5.4

Data Extraction Criteria

| No. | Main characteristics of studies |
|-----|--|
| 1 | Article title |
| 2 | Exclusions (Duplicate) |
| 3 | Keywords searched |
| 4 | Author(s) |
| 5 | Subjects covered |
| 6 | Theories covered |
| 7 | Type of literature (Theoretical or Empirical) |
| 8 | Study design (appropriateness?) |
| 9 | Nature of sample |
| 10 | Theoretical and practical importance of research |
| 11 | Clarity and basis of research question or hypothesis |
| 12 | Validity, reliability, credibility |
| 13 | Rigorous data analysis? |
| 14 | Translatable to other populations? |
| 15 | Gaps in literature |
| 16 | Landmark study |
| 17 | Key findings |
| 18 | Implications for practice |
| 19 | Are they supported/ challenged by other works? |
| 20 | Limitations |
| 21 | Notes and summary evaluation of text |

The following section presents the results of the review. This includes a descriptive and tabular analysis of the content and characteristics of the papers, definitions of conceptual terms contained in the papers, and an analysis of common themes addressing the research question.

Results

This review set out to explore the factors affecting public organisations in attempting to share knowledge and learn from each other. The studies included in the review were published in the period 2000 to 2016. Five of the 14 articles concerned empirical studies, while nine were conceptual or literature reviews. Seven articles dealt primarily with OL; nine dealt with IOL; three dealt with interorganisational knowledge-transfer, and five dealt with accountability in the public sector (Table 5.5).

Table 5.5

Summary of Studies' Subject-Matter

| | Article reference | Org. learning | Inter- org. learning | Knowledge transfer | Accountability | Public sector |
|----|---|------------------|----------------------------|-----------------------|----------------|------------------|
| 1 | Chen, Lin, and Yen (2014) | | X | | | |
| 2 | Schillemans and Smulders (2016) | X | | X | X | |
| 3 | Rashman & Hartley (2002) | | X | | | |
| 4 | Rashman, Withers, and Hartley (2009) | X | X | | | X |
| 5 | Holmqvist (2003) | X | X | | | |
| 6 | Van Winkelen, (2010) | | X | | | |
| 7 | Schillemans, Van Twist and Vanhommerig (2013) | X | | | X | |
| 8 | Romzek, LeRoux and Blackmar (2012) | | X | X | | |
| 9 | Schillemans (2008) | | | | X | |
| 10 | Aucoin and Heintzman (2000) | | | | X | |
| 11 | Nooshinfard and Nemati-Anaraki (2014) | X | X | | | |
| 12 | Sørensen (2012) | X | X | | | X |
| 13 | Greiling and Halachmi (2013) | X | | | X | X |
| 14 | Easterby-Smith, Lyles, and Tsang (2008) | | X | X | | |

Of the articles dealing with IOL and knowledge-transfer, two articles were rich in coverage of their related areas concerning IOL (Rashman et al., 2009) and accountability (Greiling & Halachmi, 2013). Only two articles (Rashman et al., 2009; Sørensen, 2012) dealt with IOL in a public sector context. The main elements of the studies, their design, research questions, principal findings, practical implications, and limitations are shown in Appendix Q. The following section addresses the research question: what are the drivers and inhibitors of IOL in a public accountability relationship. It presents the results of the review under two thematic headings: enablers and inhibitors of IOL, and new accountability arrangements and opportunities for IOL.

Enablers and Inhibitors of Interorganisational Learning

The progression from OL to IOL occurs when organisations, having exploited and routinised their existing experiences, seek to explore, experiment, and innovate through interorganisational collaborations (Holmqvist, 2003; Levinthal & March, 1993). Therefore, rather than risk “drifting into a decaying backwater” (Hedberg, Nystrom, & Starbuck, 1976, p. 48) and becoming “skilfully incompetent” (Argyris, 1993, p. 54), organisations collaborate. However, Holmqvist’s (2003) definition of IOL as “learning between organisations where there is (initially) a low degree of interdependency” (p. 102), presents organisational independence as a prerequisite for IOL. Holmqvist’s (2003) reasoning is that, if they are independent, no single organisation dominates the relationship. Therefore, instability is maintained, institutional power is controlled, and exploration is promoted. I would argue, however, that this theoretical assertion is unsubstantiated and contrasts sharply with the findings of empirical studies (Chen, Lin, & Yen, 2014; Rashman & Hartley, 2002). These studies show that mutual trust and shared values are necessary antecedents of collaborative organisational relationships that support IOL. In summary, one could argue that organisational metacognition drives the IOL approach through learning transformations occurring within and between organisations.

Many conceptual frameworks have been developed to explain the factors influencing IOL and knowledge-transfer. First, Rashman and Hartley (2002), with an extensive background in organisational development in the UK, assessed IOL from an empirical study of local authorities, identifying seven enabling factors:

- 1) *interactive processes between stakeholders;*
- 2) enabling conditions;
- 3) attention to outcomes;
- 4) organisations’ size;
- 5) leadership style;
- 6) mutual trust; and
- 7) *absorptive and teaching capacity of the organisations.*

Subsequently, Easterby-Smith et al.’s (2008) theoretical framework, drawing from their extensive research background in OL in the UK and USA, and Van Winkelen’s

(2010) empirical interview-based study of IO collaboration, identified factors 1) and 7) as two principal factors promoting IOL. Easterby-Smith et al. (2008) also proposed the type of knowledge transferred, as the third principal factor, while Van Winkelen (2010) singled out the expected value from collaboration, as an important determinant. This suggests that there is a degree of consensus among researchers on the importance of having good communication channels and processes between organisations and also having “the ability to recognise the value of new external knowledge, assimilate it, and apply it to commercial ends” (Van den Bosch, Van Wijk, & Volberda, 2003, p. 280).

Given the importance of communication processes, it is not surprising that a strong consensus exists in the literature about the critical role of relational aspects, individuals, and their attributes in IOL. Both Holmqvist (2003) and Van Winkelen (2010) categorise these aspects as macro-environmental, organisational, and individual factors. In addition, Van Winkelen (2010) concludes that knowledgeable, committed and open-minded individuals, having facilitation and leadership skills, and authority to initiate and support change, are most effective in establishing and maintaining such relationships. Chen et al.’s (2014) empirical study provides further insights into this personal dimension, by analysing the catalytic role of *trust*. It posits that the antecedents of trust consist of three elements: “social relational embeddedness” (p. 569); the “influence strategy” (p. 570) adopted by the organisations (i.e., the means used to motivate others to collaborate, for example, non-coercive methods, such as recommendations and information sharing), and, finally, the shared values of the organisations.

Rashman et al.’s (2009) extensive theoretical and conceptual systematic review identified 10 factors influencing learning between public organisations, across three dimensions: relational, organisational, and knowledge-based. In general terms, the previously identified enabling IOL factors of “interactive organisational processes” and “absorptive capacity” (Rashman & Hartley, 2002) are broadly reflected in the relational and knowledge-transferability factors of public organisations. However, Rashman et al.’s (2009) question is whether generalisations about IOL and knowledge-transfer from private sector-based research can validly be applied to public organisations as professional bureaucracies. This, they correctly argue, is because of the lack of measures to assess the effectiveness and benefits of such processes in public organisations. The impressive review *cuts a deep furrow* through many vital aspects of this area, identifying numerous

relevant influencing factors that could be considered unique to the public sector (Table 5.6).

Table 5.6

Factors Influencing Interorganisational Learning Between Public Bodies

| <i>Relational</i> | <i>Organisational</i> | <i>Knowledge-based</i> |
|--|--|---|
| 1) Competition between bodies | 7) Professional barriers | 10) Transferability of the knowledge in question. |
| 2) Power of the respective parties | 8) Changing political priorities and agendas | |
| 3) Reduction of trust | 9) Influence of political goals and tensions | |
| 4) Defensiveness; | | |
| 5) Adverse effect of blame attribution on good communication | | |
| 6) Turbulent effect of crises on relations | | |

Source: Rashman et al. (2009)

The model in Figure 5.2 was developed from the reviewed studies to create a composite picture of IOL, with the focus on the public context. It comprises four dimensions: the characteristics of the source and recipient bodies; the type of knowledge; the interorganisational dynamics, and the environmental context.

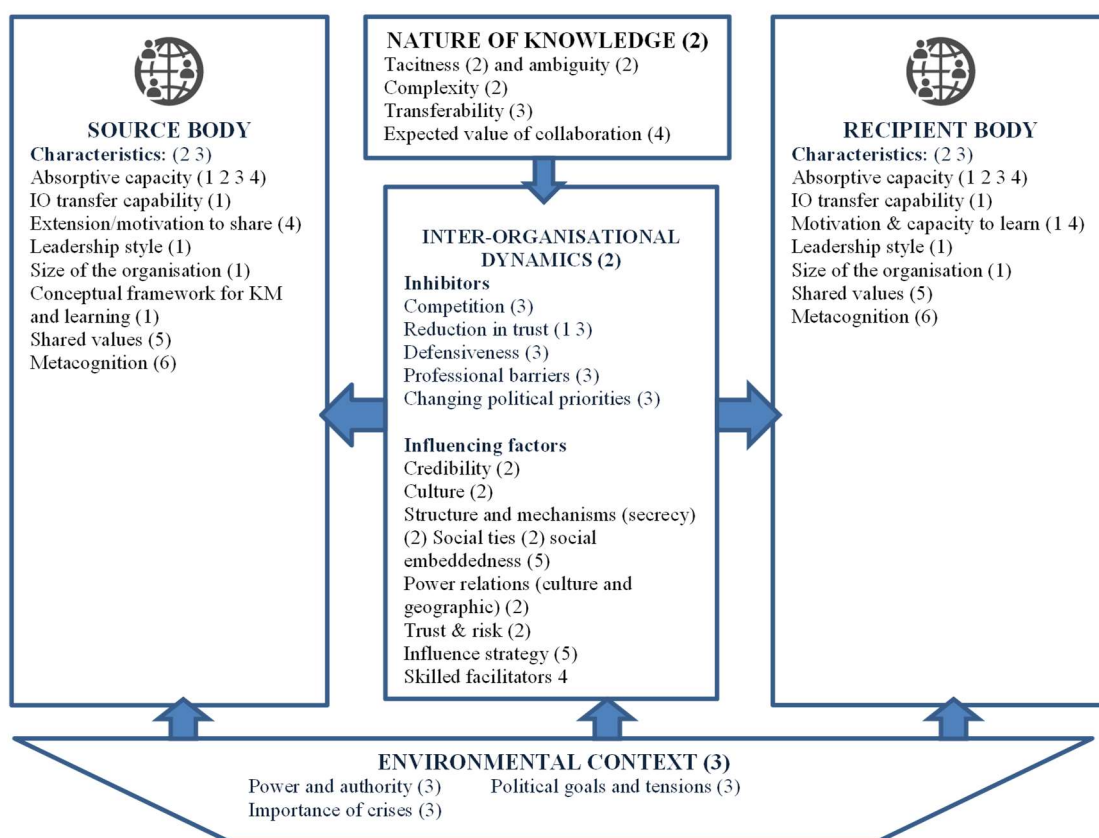


Figure 5.2. Interorganisational Learning Factors in Public Bodies (inspired by Easterby-Smith et al., 2008).

Key: (1) Rashman and Hartley (2002); (2) Easterby-Smith et al. (2008); (3) Rashman et al. (2009); (4) Van Winkelen (2010); (5) Chen et al. (2014); (6) Holmqvist (2003)

New Accountability and Interorganisational Learning

Purpose and processes of accountability.

The field of public accountability is a complex and evolving area. The definitions of accountability presented in Chapter 3 highlight the differences between theorists on whether accountability (in its current form) is compatible with a learning component. Schillemans (2008), a leading Dutch researcher on public accountability and governance, advocates incompatibility, while Aucoin and Heintzman (2000), distinguished Canadian theorists on public sector reform and governance, argue that no inherent contradiction exists between the two objectives. In attempting to judge the merits of the claims, arguments are often at cross-purposes due to differences in definitions, applications, and

contexts. For instance, it is generally agreed that comprehensive indicator-based performance measurement distorts the achievement of objectives and inhibits initiative-taking (Pollitt, 2018; Sørensen, 2012). However, this is different from claiming that more accountability arrangements hamper performance (Ebrahim, 2005). Moreover, there is little evidence to support the view of Aucoin and Heintzman (2000) that improved performance requires improved accountability.

Context and national institutional settings, such as the openness of society to self-review, are also crucial factors in determining the nature and effectiveness of accountability arrangements. For example, in Sweden, public administration reform in 2002, reoriented performance audits from being compliance-focused, to focusing on providing support to auditees rather than accountability (Bringselius, 2015). Given the ever-increasing availability and access to real-time information through social media, I suggest that increased performance of public bodies needs participatory mechanisms consisting of bi-directional “flows of information, which promote cooperation and communication with other actors” (p. 32), and the right feedback information with which to learn. This can be from formal, traditional accountability systems or other arrangements such as evaluation, peer reviews, or new forms of governance.

New forms of governance and accountability.

In the wake of recent financial crises, some argue that traditional accountability does not improve performance (Greiling & Halachmi, 2013). To address the accountability deficit, Schillemans (2008) calls for *horizontal accountability* to complement traditional, hierarchical forms. He describes it as occurring in the “shadow of hierarchy” (Scharpf, 1997, p. 202), where the accountee (i.e., the assessing body, stakeholders, interest groups, and journalists) is independent of the principal and agent relationship. However, to a large extent, public accountability in many Western countries already mirrors this structure of accountant (state body), a forum (the budgetary committee of parliament), and an accountee (the independent auditor). Even if the accountant is not hierarchically responsible to the accountee, it must justify its decisions and actions against performance criteria in an accountability forum, to promote wider, horizontal accountability.

Schillemans (2008) also postulates that diverse forms of accountability introduce a learning perspective by forcing accountants to reflect on their behaviour and revise their

cognitions and beliefs, as a single loop learning processes (Argyris & Schön, 1978), which echoes Rashman et al.'s (2009) individual learning process of OL. However, the proposition, that hierarchical accountability could strengthen horizontal accountability while also constraining its influence, appears paradoxical. Moreover, although horizontal accountability can build coalitions of supporters, perhaps it also risks rallying detractors, once such open channels have been developed and legitimised. Sørensen (2012), a leading Swedish researcher on public administration, agrees with Schillemans (2008), suggesting that standardised performance assessments and evaluations act as impediments to innovation and improvements. Her solution is *New Public Governance* (NPG) or *metagovernance* (Sørensen & Torfing, 2009), which introduces new accountability standards to address the collaborative innovation processes of NPG. This participative management approach originates in sociology and network theory (Osborne, 2006) and promotes governance through trust and relational contracts. It envisages comprehensive and inclusive partnerships and networks between government, business, and civil society (Osborne, 2010; Prestoff, Brandsen, & Verschuere, 2012). Such a proposition is not unrealistic, as empirical research indicates that state law logic, NPM, and NPG can co-exist in a layered complementary way (Hyndman & Liguori, 2016).

Schillemans, Van Twist, and Van Hommerig (2013) propose three innovations in accountability. First, *interactive accountability* (i.e., regular meetings between managers of public entities and their principals to identify issues); second, *dynamic accountability* (i.e., public access to accountability data in more accessible forms), and third, *citizen-initiated accountability* (i.e., the transfer of knowledge and insights of various stakeholders to the organisation). However, there is still no evidence whether such innovative accountability mechanisms lead to learning. Moreover, the authors express concerns about the risks and extra cost such forms bring, regarding complexity, and risk of abuse by interest groups. Specific risks for SAIs have been identified as: undermining independence, objectivity and credibility; work overload; participatory fatigue, and delays and higher costs (EIP, 2014). Nevertheless, some public organisations have, in recent years, provided open source data of their accounts, budgetary systems, and policy forums, and other collaborative measures, to encourage engagement with civil society, the general public, and, what are colourfully called, *armchair auditors*.

As a critique, in comparing traditional with innovative accountability mechanisms, Schillemans et al. (2013) overlook two other accountability mechanisms: evaluations and

performance audits, which have been performed by public sector auditors for many decades. This assertion may mistakenly assume that accountability occurs only through financial and regularity reporting, rather than also by in-depth, and independent performance audit studies. In the last section, we look at how accountability might promote learning and identify the factors that promote both accountability and learning.

Squaring the circle of accountability and learning.

Accountability should move away from its short-term, shallow, and inflexible focus, to a more profound, complex, and long-term emphasis of OL, according to Greiling and Halachmi (2013). They propose that organisations' responsiveness, efficiency, and effectiveness can be improved when oversight bodies (auditors and parliamentary committees) introduce *dynamic accountability*, emphasising long-run outcomes, and a learning mentality to "improve the definition of goals, organizational structure and standard operating procedures" (p. 384). Unfortunately, their use of the term "dynamic accountability" has different meanings from that of Schillemans et al. (2013), which risks confusing the debate. Nevertheless, SAIs have already begun to reflect on the benefits of providing advisory activities to enhance their value and benefit. For example, by basing such services on published audit reports to avoid the risk of loss of independence, by conducting more performance audits, and by publishing a thematic summary of audit recommendations from previous audits (INTOSAI, 2013a).

Two recent empirical studies address the possible conditions required for such interorganisational learning. First, Schillemans and Smulders' (2016) empirical study asserts that OL, through reflectivity, is facilitated by the retrospective nature of accountability (i.e., past audit findings should lead to corrective action and improvements). Theoretically, they suggest that it requires a balance between implementing two theories - traditional agency theory (Antle, 1984; Strøm, 2000) and constructive discourse in stewardship theory (Davis, Schoorman, & Donaldson, 1997). Second, Romzek, LeRoux, and Blackmar's (2012) study of network actors promotes a preliminary theory about *informal accountability*, which is defined as expectations and repeated discretionary behaviours between interdependent network members, not dissimilar to the principles of REM (Katz & Kahn, 1978). Many of the factors promoting informal accountability, such as trust, reciprocity, and sustained communication, are also relevant to interorganisational

collaborative situations and are, therefore, similar to those required for IOL and knowledge-sharing, generally. Furthermore, the emphasis on a longterm view of performance echoes that of Greiling and Halachmi (2013). A summary of the factors from both studies is presented in Table 5.7.

Table 5.7

Factors Influencing Interorganisational learning (A) and Informal Accountability (B)

| Influencing Factors |
|--|
| A1) Trust |
| A2) Reciprocity - helping another without expectation of reward or immediate reciprocation |
| A3) Respecting the other's institutional territory |
| A4) Facilitative behaviours |
| A5) Frequent and sustained communication |
| A6) Information sharing |
| A7) Extending favours |
| A8) Acknowledging mistakes |
| B1) Long-term view of performance rather than regularity and control |
| B2) Strong inter-personal trust |
| B3) Informal relationships |
| B4) Availability of formal sanctions. |
| B5) Trustful behaviour |
| B6) Benevolence |

Source: A. Informal accountability behaviour norms (Romzek, LeRoux, & Blackmar, 2012). B. Factors promoting organisational learning (Schillemans & Smulders, 2016)

In summary, the reviewed studies support the opinion that accountability is a relational process between organisations but not necessarily a hierarchical one. To function effectively, it must remain dynamic and evolve to assess performance management, rather than only financial and assurance aspects. It must also be open to feedback from the wider stakeholders and promote improvements through greater collaboration between public entities. The learning processes involve dialogue and mutual learning between *accountor* and *accountees*, as well as interactive reflection on the suitability of accountability standards, as proposed by Bovens et al. (2008). Figure 5.3 models the new accountability landscape, as synthesised from the articles. It is proposed that the *interorganisational learning potential* is situated in the area encompassing

informal horizontal accountability and traditional accountability actors such as auditors and regulators. While audit reporting to the accountability forum continues to facilitate valuable and necessary democratic oversight and sanctions, the delimitation with vertical accountability and the forum is necessary as an alternative channel of communication, facilitative behaviour, and collaboration.

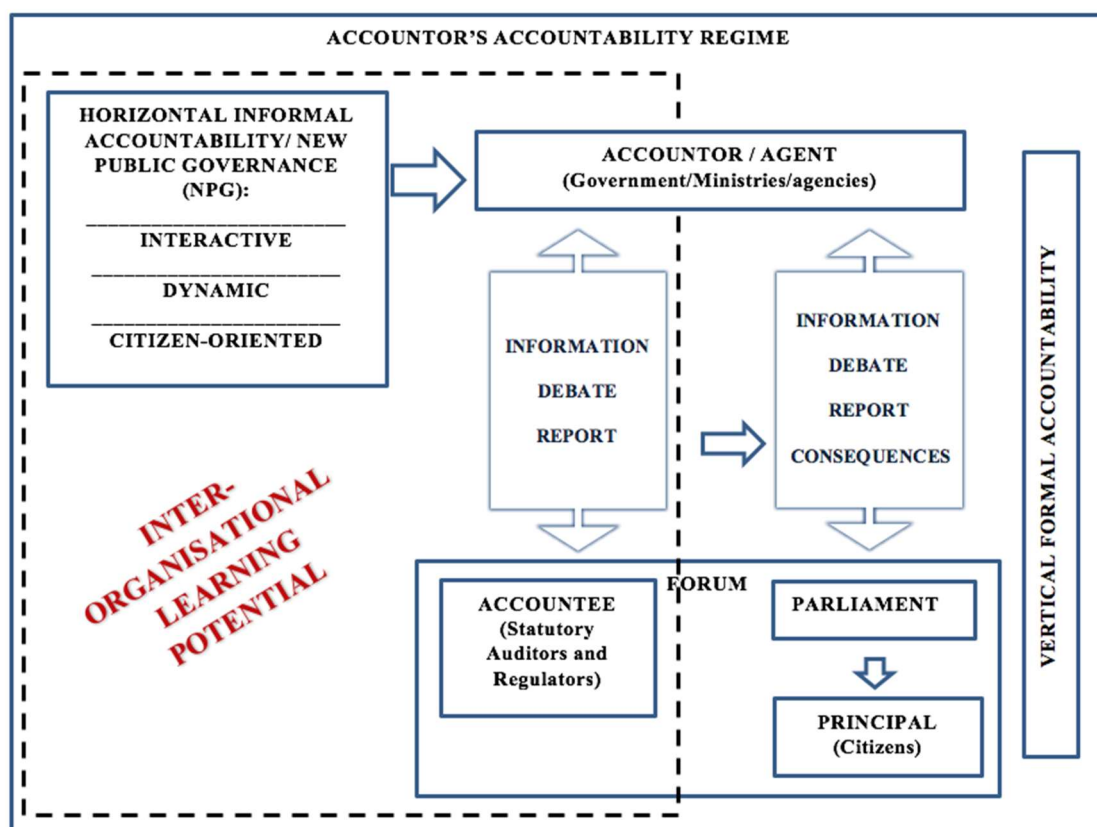


Figure 5.3. New Accountability Landscape.

The following section discusses how the findings address the research question and explores what needs to be done to advance this knowledge and insight.

Discussion

The study found three critical factors influencing interorganisational learning in an accountability context: organisations' absorptive and teaching capacity; dynamic interorganisational processes, and the commitment, knowledge, and ability of staff. It also found strong support for the view that, as accountability is a relational process between organisations, to function effectively, it must be dynamic and evolve to assess and support the many facets of performance, and not only financial and assurance aspects. Part of this dynamism is promoting learning and improvements through greater dialogue and collaboration between public entities. The rationale for the conjunction between accountability and learning lies in the argument that accountability mechanisms should be of benefit to citizens and their representatives, and also provide support and added-value to public bodies in improving their performance. The citizen expects and demands that the various organs of the state work effectively and efficiently in delivering best practice and value for all. Therefore, rather than being punitive, the concepts of *performance* and *effectiveness* should be revised to develop new accountability mechanisms (Power, 1999). In line with this argument, this study identified an opportunity and area within the accountability landscape for *interorganisational learning potential*, which encompasses informal horizontal accountability and traditional accountability actors such as auditors and regulators. By promoting the interorganisational learning and informal accountability factors highlighted in this study, public organisations such as SAIs can enhance and exploit the learning potential derived from their audits, to achieve a greater impact from their work.

It was expected from the preliminary review of literature that the studies on collaborative IOL and accountability would converge due to their shared relational attributes. Although a mature theory and operational model of influencing factors and outcomes are yet to emerge, clear areas of convergences between the conceptual frameworks were identified. In theoretical terms, a significant achievement in the field has been the recognition of the considerable commonalities between IOL and accountability theories about long-term goals, processes, and enabling conditions and factors in a public environment. This development is evidenced by the crossover studies of leading theorists, the shared field of referenced studies, and the engagement of SAIs in researching their practices. In theoretical terms, this study represents a step towards improving the knowledge base and developing a shared understanding and appreciation of the theories

and concepts underlying both constructs at a general level, and specifically the drivers and inhibitors of learning accountability (organisationally, interrelationally, informationally, and contextually). The IOL attributes and models presented here are intended to bring new clarity to the conceptual debates. In practical terms, the typology of influencing factors provides a useful signpost and inputs for the possible design of organisational strategies and interventions for changing the organisational culture of accountability bodies and stakeholders. The findings provide useful, evidence-based quality criteria to assess the interorganisational dynamics in peer-to-peer reviews, and in measuring the collaborative and learning capacity of organisations in the public sector.

Limitations

Some limitations of the review should be borne in mind when interpreting the findings. The validity of the review was supported by the use of predefined checklists for the quality appraisals, and the use of an interrater validity assessment. Although every effort was made to include all material according to the inclusion criteria, some articles proved inaccessible. Similarly, the search terms may have limited the results somewhat, and researcher bias towards affirming the substance and assumption of the research question cannot be discounted. The data were not of consistently high-quality, regarding the critical analysis of previous research and evidential support of assertions. Finally, although the review had exclusion criteria regarding the English language, and peer-reviewed articles, the generalisability of the findings are reasonable, based on the country coverage, and leading theorists' representation in the articles.

Future Research

The debate on whether accountability and learning are incongruous has not concluded. Without convincing empirical research the status quo remains, and the lost potential incurred by maintaining a deficit-based approach to accountability, audit, and inspection remains undiscovered. As a starting point, given the plethora of concepts and attributes identified, consolidation through empirical testing of actionable models is needed to conceptually deepen and advance understanding. This could take the form of a case study of such models to identify their defining features. The proposed accountability model suggests that accountability bodies, such as statutory auditors and regulators, can contribute to IO learning by simultaneously being part of formal and informal

accountability fora. Given the legal, statutory, and cultural identities and practices of such organisations, the feasibility of this dual role requires further study. An action research study conducted by a joint research team from collaborating organisations would be useful to explore experiences of such organisations. Moreover, because of the sparseness of empirical studies, the degree to which the identified factors such as political agendas, tensions, and professional barriers have a moderating effect on attempts to work together and share knowledge is unknown. Nor is it known how, and the extent to which they can be managed and prevented from destabilising nascent collaboration or learning relationships. Therefore, a conference to present and discuss academic and professional contributions on this subject could lead to a collaborative forum being established to share practices and promote further research.

Conclusion

The review synthesises collective knowledge on the influencers of IOL in a public governance context. It contributes theoretically to understanding in this area by consolidating existing knowledge of IOL enablers and inhibitors, and identifying the potential for IO learning between organisations in an accountability setting. It also contributes by summarising the existing guidance for organisations in developing such initiatives, by providing practical examples and a typology for their comparison. It is clear that more interdisciplinary research is needed to breach the two domains of theoretical and practitioner research and between theoretical fields.

A key finding of this chapter is that accountability, audit, and OL exist as part of a wider political and cultural endeavour, involving the role of institutions, the citizen, and civil society, each of which are producers and consumers of information. Lasting advances may only be achieved by working with the whole system and involving stakeholders in collaboration, learning, and accountability, rather than just focusing on IO factors identified within an individual organisation. By exploring the needs of these stakeholders, and understanding the drivers and inhibitors of interorganisational learning as manifesting within each political context, greater advances in interorganisational learning and public performance improvement can be achieved.

Chapter 6: Epilogue

The studies found that public sector audit has the capacity and potential to evolve, from a purely control and risk-based activity, to one that actively promotes improvements, through open dialogue with stakeholders, and proactively supports interorganisational learning and collaboration between stakeholders. Many financial service firms integrate foresight (defined as a systematic consideration about future adaptive strategies and plausible future changes) into their core business process and decision-making; the argument being that old assumptions and approaches are no longer address new societal values concerning data access and regulation, and relations between governments, citizens, and big business. The need to better anticipate governance needs (OECD, 2016) is resulting in a shift from assessing historic performance to protecting stakeholders' future value. In the public audit sector, this can be achieved through activities such as, proactively assessing legislative proposals, evaluating administrations' preparedness for action, providing timely advice, and performing more citizen-oriented work. The research showed that performance auditing, which was the key focus of this thesis, is an appropriate audit vehicle to support this re-purposing of audit activities, due to its broad oversight of performance generally, and its explicit goal of providing advice or recommendations in areas needing improvement. This final chapter brings together the key themes, findings, and conclusions; what has been learned, how it can be applied, and what has yet to be explored. It concludes by reflecting on the professional developmental journey and by exploring new opportunities for further research.

Contribution to Knowledge

This research was distinctive because it examined the role of performance audit from a psychological perspective, and in particular, positive psychology. In this, the 20th anniversary year of the advent of positive psychology, the psychological community has been reflecting on its contribution. Although positive emotion leads to creativity, open-mindedness, resilience, empathy, success, and productivity (Fredrickson, 2003), the field of positive psychology has been accused of being inward-looking, individualistic in nature, and lacking insight in group and organisational settings (Smith, 2018). This research addressed this knowledge gap by combining disparate concepts from social, positive, and organisational and individual differences psychology and by interpreting professional

relations through the lens of positive psychology. It presented a new understanding of the processes and context of public sector audit, which can also be used to conceptualise the characteristics of similar professional relationships.

The first study conducted was the empirical study (Chapter 3), which provided the practitioners' opinions and emerging themes on auditor-auditee interrelations as grounding for the subsequent studies. It addressed the significant knowledge-gap concerning auditor-auditee interactions by explaining, defining, and modelling the interpersonal attributes of performance auditors. The study developed a model of performance auditors' psychological assets, a scale model of their adaptive attributes, and challenged existing beliefs about audit behaviour. The second study developed a competency model for performance auditors (Chapter 2). Although models exist for the private sector audit context, this model empirically identified the intrapersonal attributes of the auditor and the characteristics that contribute to a more positive-oriented audit approach. It provided uniform definitions and descriptions of auditor, thereby contributing to our understanding of auditors and audit organisations, and to the lexicon of public sector audit, and HR management. The intervention process analysis (Chapter 4) tested the theory that affective and cognitive beliefs influence behavioural intentions, and that attitude formation was amenable to training interventions. Finally, the critical literature review (Chapter 5) contributed to understanding the theories and concepts underlying interorganisational learning (IOL) in an accountability setting. It identified a consensus among theorists on critical influencing factors and presented composite models of IOL.

Revisiting conceptual issues.

The research studies contributed to my deeper understanding of conceptual issues surrounding audit relations, by highlighting the complexity involved in analysing and categorising personal and relational attributes of a professional relationship. First, although the Role Episode Model, on which the thesis is largely based, proposes a clear delineation between intrapersonal, interpersonal, and interorganisational relational factors, the differentiation between these domains can be somewhat ambiguous and subject to permeable boundaries. For example, factors such as trust, independence, integrity, and fairness can have both intrapersonal and interrelational dimensions. Furthermore, the drivers of interorganisational learning, such as staff commitment, knowledge, and abilities, and teaching capacity, derive from, and are therefore dependent on intrapersonal and

interpersonal attributes (see Figure 6.1). Part of the difficulty is the very broad theoretical framework that REM provides, which presents a challenge when attempting to operationalise its many facets.

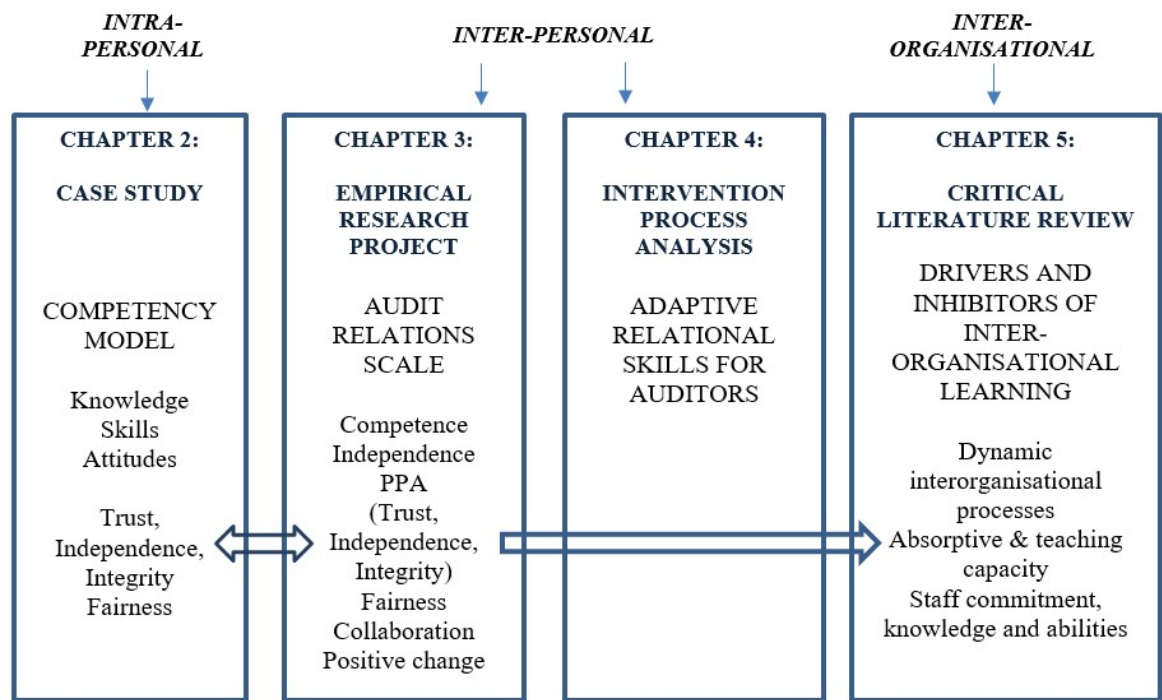


Figure 6.1 Permeability of Domains of Analysis.

Second, the proposition based on competency modelling theory, that public sector auditors could share universal, enduring motivations, interests and job relationships is clearly not sustainable. This does not, however, preclude one from taking a modelling approach to explore commonalities across the audit community, as achieved in the case and empirical studies of chapters 2 and 3.

Lastly, I made some epistemological and methodological choices when conducting the studies, in order to explore, categorise, and challenge existing established perceptions of public sector auditors and their professional relationships. The adoption of positive psychology in organisational research is relatively new and its use in these research

Limitations and challenges to a positive audit approach.

Despite the positive orientations of performance auditors in their interactions with auditees, the proposition of introducing a collaborative, value-adding dimension to public sector audit is challenging and complex. First, hierarchical, bureaucratic audit organisations, as constitutional institutions, often possess an inherent inertia, which prefers the status quo. Second, public sector audit, and in particular performance audit, has a significant political dimension. The audit process is encultured within the relevant political and legal jurisdictions, with the audit subject matter, scope, and nature of reporting being at the discretion of the audit institution, with input from parliamentary oversight committees. Therefore, it could be argued that to a large extent, the most salient driver of transformation and change towards a positive audit approach is the political system. Nevertheless, changes to organisational and audit practice may emerge as a result of a combination of external disruptors such as financial or governance crises and internal strategic initiatives, leading to a change of mind-set and priorities. Lastly, as performance audit is about accountability and improving the clients' management practices, a change in relations towards a more proactive, positive approach would require reducing auditees' defensiveness by sharing the "bigger picture" and welcoming constructive criticism and potential solutions. This requires an initiative at the interorganisational level and a commitment from top auditee management. However, divergent political agendas between organisations may create tensions, which destabilise nascent collaborative or learning relationships. Therefore, it is difficult to make "big assertions" on the next step forward, without understanding, acknowledging, and taking stock of the political role that the individual SAI fulfils within its country (reflecting culture, tradition, law, administrative practices, political needs, and personalities) and its existing relations with auditees and stakeholders.

Generalisability of the thesis.

Consideration of the generalisability of the studies findings has many dimensions. To begin, a fundamental question is whether auditing can be modelled with a sufficient degree of conditional predictability, or perhaps not, due to its highly unique and specific features. For instance, Cronbach (1975) argues that social phenomena are too variable and context bound to permit significant generalisations. However, he suggests that modest

speculations are acceptable on the likely applicability of case study findings to theoretical propositions or to circumstances that might explain them.

Moreover, the studies' findings, which were derived from the opinions of SAIs within the international public sector audit environment, were interpreted through the paradigm of positive psychology, which is largely derived from a Western, industrialised, and democratic populations. The adoption of this paradigm, as well as the influence of cultural values on auditors' perceptions of work and its environment (Hofstede, 1991) across the international community, could therefore, be considered to moderate the generalisability of findings. These limitations, however, are mitigated somewhat by the fact that the surveys, and thus the competency and audit relations scale models, were derived from international auditing and ethical standards, including standardised behaviours, endorsed by all SAI member organisations. Furthermore, the inductive, mixed methods approach by which they were developed supported the generalisability of the models, from a statistical basis.

Finally, what can the private sector audit community learn from the studies? The thesis provides a detailed landscape of the accountability and governance environment in which public sector auditors and their relations with auditees function and the "constitutional" rather than "commerical" independence by which these audit bodies operate. As a concrete example, in an audit relationship, the private sector client remains the sole owner of its data and controls its release in the form of financial statements and audit reports as it determines. In the public sector, the audit body has a separate independent mandate, can demand access to all information and persons deemed relevant to its enquiries, and generally has the right to publish any information, it considers in the public interest. Therefore, the research results may be of interest to private sector financial services firms contracting for public sector audit or consultancy work, to understand the nature of the accountability relationship, the objectives and work processes involved, and the attributes of public sector auditors working in this field.

Professional Development and Reflection

There comes a time in one's endeavours when one must create a space for introspection and perspective-taking. This thesis set out to satisfy curiosity by exploring the potential of public sector audit to adopt a positive, learning-based approach. As

performance audit matures in its concepts and practices, it was worth stepping back to examine the rationale behind its theoretical underpinnings. The professional doctorate provided me with the opportunity to consolidate my knowledge and experience by bringing audit and psychology together to address a practical yet novel area in need of development, that is, the nature and quality of the relationships between auditors and the auditee. It provided the space and opportunity to look at where we have come from in public sector audit, and look forward to where we might like to go. It was an opportunity for some self-managed development – a natural and logical extension to the Chartership process I completed some years ago. Social constructionism argues that it is impossible to study something without influencing it and that the situated nature of our experiences is infused with historical, cultural, and linguistic meanings (Gergen, 2001). My background and occupational setting influenced the choice of research subject, and the research paradigms and questions were guided by my interests in positive psychology and the promotion of social responsibility and well-being (Peterson & Seligman, 2004). In conducting the research, I was aware of the unorthodox (some might say subversive) proposition on which the thesis is based from the perspective of many audit institutions, in its proposal to extend the auditor-auditee relationship beyond its traditional control function. While this thesis is an exploration of the potential of such a new discourse and practices, it recognises that fully embracing such a move would require a paradigm shift in values and ideologies for both audit organisations and their auditees.

As a principal manager within the collaborating organisation, I am responsible for the development of audit methodology, the provision of technical support to audit teams, quality control actions, and providing input to training interventions and recruitment actions. Given my role in the organisation, I reflected on the fact that I may have influenced participants' responses, owing to power relations. I may also have influenced the results of the statistical analysis by exercising discretion when conducting factor analysis and developing the scale model. These influences, however, were mitigated to some extent by transparency regarding the purpose of the study; the use of open questions in interviews, adherence to good statistical practices, and through triangulation of data, as far as possible.

From the programme, I learned to manage a large multi-component research project, refreshed my statistical knowledge and skills, networked with a community of fellow researchers, and came to appreciate both the pleasure of initiating, devising, and

controlling a large personal project and the endurance needed in dealing with unexpected challenges. The research did, however, present some challenges, particularly when obtaining the necessary data. For instance, the expected participation, of three SAIs in Study 3 of the empirical research project, did not materialise. Similarly, owing to a low response rate to the main case-study survey, it was necessary to merge the initial survey data with the responses from a second survey intended for the validation purposes. Furthermore, aligning the training needs and timetable of the collaborating organisation with the research needs of the intervention process analysis project required flexibility and accommodation, to facilitate the longitudinal nature of the evaluation. Such difficulties presented by action research studies can be predicted, but are often difficult to prevent and manage, until experienced. Nevertheless, through participating in courses, lecturing at conferences, and as a peer-reviewer, I gained valuable experience to complement my professional practice. As such, I have submitted articles on auditor-auditee relations and auditor competencies to two peer-reviewed journals, and presented the competencies paper at the European Association of Work and Organizational Psychology Congress in May 2017.

The research studies also directly contributed to my work within the organisation in a number of ways. First, I presented the competency model to the collaborating organisation's human resources directorate as a resource for recruitment and selection, as well as to the INTOSAI Task Force on Auditor professionalization (of which I am a member), as a input to its developmental work on educational standards for public sector auditors. Second, I also used the study as the basis for revising my organisation's professional training pathways for auditors by performing a gap analysis between the required competencies and how they were satisfied by the current training offer. Third, the findings of the relational studies were used for the development of written guidance on auditor-auditee collaborations in the drafting and formulation of audit recommendations. They also formed the basis of the intervention to raise auditors' awareness of the adaptive characteristics of the auditor-auditee relationship. The intervention itself has been demonstrated to encourage reflexivity and metacognitive awareness on the part of auditors and now forms part of newcomers' induction courses and complements my organisation's training on audit communications. Finally, the synthetic review of the drivers of interorganisational relations in an accountability setting will be useful to change

management and strategic development practitioners working within this environment, and audit organisations performing peer-reviews of similar organisations.

Future Research

The preceding chapters set out possible avenues for further research on audit competencies and interpersonal and interorganisational relations. For example, how do team roles and dynamics impact on the nature and level of the competencies required of performance auditors? How significant are national and organisational culture and different accountability arrangements as mediators of audit relational behaviour? Most importantly, is the potential for collaborative working and positive change identified by auditors, reflected in the opinions and attitudes of auditees? From a practical viewpoint, observational studies are needed to introduce greater ecological validity into the research, by analysing meetings and exchanges in the life of an audit, and identifying the complexities hypothesised by the relations model. Moreover, high profile case studies of existing interorganisational learning initiatives and collaborative arrangements should be conducted to provide important insights into the goals and drivers of such actions and the challenges overcome.

Conclusion

The thesis can be considered, not as a solution to a problem necessarily, but as an original contribution towards a conceptual shift in professional audit and accountability practices in the public sector. What is now needed is a shift in thinking and purpose on the part of audit organisations and their clients, and in the standards and practices of performance management. “Doing audit differently” is not becoming a consultant by another name. It means shedding rigid structures and boundaries, unleashing talent, and recognising information and clients as assets. It means working and delivering services differently to achieve better outcomes for all.

It is argued that positive psychology introduced an unhelpful “polarising positive-negative dichotomy” into the psychological discourse and debate (Lomas, 2016, p. 536) and it has been accused of failing to contextualise complex emotional outcomes. Therefore, just as excessive optimism can lead to an under-appreciation of risk and be harmful to well-being (Norem, 2001), so too, an excessive use of auditors’ psychological

assets can lead to suboptimal outcomes. However, in promoting a positive-oriented, collaborative audit function, one must avoid giving the impression that a dialectical interplay exists between a theorised *positive auditing* and a *deficit-based approach*, or that the latter is intrinsically undesirable. After all, in audit, the pessimism of risk analysis and scepticism, rightly or wrongly, are considered as the bulwarks of prudence and the duty of care. Similarly, the competency model and relational scale informed by the precepts of positive psychology can equally be applied in HR processes that do not necessarily adhere to strengths-based principles, when selecting and developing auditors. The challenging question then is: How do we deal with the auditor who is high on autonomy or judgement but low on creativity? Buckingham and Coffman (2000) argued that the consensus of successful managers is to identify employees' individual strengths, and position the employee to capitalise on these strengths, rather than overcoming weaknesses. However, this may not always be practicable in all work settings. Therefore, like the constructs of "*positive and negative auditing*", I suggest that different approaches are sometimes necessary to serve different purposes, depending on the context.

Finally, this thesis has presented innovative theoretical perspectives on real-world, relational and organisational issues, based on empirical research. If knowledge is about updating paradigms and theories, and providing explanations that can be tested, then the theoretical foundation for collaborative arrangements and interorganisational learning has been laid and now needs testing. The competency and relational models presented here provide an opportunity and a resource for self-reflection and meta-cognition by auditors and their organisations, and perhaps inspiration to innovate. It is hoped that the different perspectives and models will motivate other practitioners and researchers to look beyond the existing norms of audit practice in search for better outcomes for all stakeholders. Just as the pioneers of positive psychology foresaw it to be the vanguard of new integrative psychology (Sternberg & Grigorenko, 2001), perhaps "positive auditing" could be the catalyst for an integrative form of accountability change.

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Appendices

Appendix A: Comparison between Competency Models of Auditors

| Competency studies | PAC model (2017) | INTOSAI competency Framework (2016) | Siriwardane et al. (2014) | McKnight & Wright (2011) | Armitage & Poyzer (2010) | Armitage (2008) (professors study) | Abdolmohammadi, Searfoss & Shanteau (2004) | Tan (1999) | Abdolmohammadi, & Shanteau (1992) |
|---------------------|---------------------|-------------------------------------|---------------------------|------------------------------------|--------------------------|------------------------------------|--|---------------------------------|-----------------------------------|
| Attitudes & Ability | Integrity | | Professional integrity | Professional attitudes & behaviour | Ethics | | | | Assumes responsibility |
| | Questioning mind | Scepticism | Questioning mind | | | | Quick thinker | Professional scepticism | Perceptive |
| | Citizenship | | | | | | | | |
| | Open-minded | Establishes criteria | | | | | | Professional integrity (ethics) | Creative |
| | Creativity | | | | | | | | |
| | Persistence | | | Self-reliant | | | Personality attributes | | Adaptability |
| | Social intelligence | | Interpersonal | Interpersonal | | | Intelligence | Interpersonal | Self-confident |

| Competency studies | PAC model (2017) | INTOSAI competency Framework (2016) | Siriwardane et al. (2014) | McKnight & Wright (2011) | Armitage & Poyzer (2010) | Armitage (2008) (professors study) | Abdolmohammadi, Searfoss & Shanteau (2004) | Tan (1999) | Abdolmohammadi, & Shanteau (1992) |
|--------------------|--------------------|-------------------------------------|---------------------------|--------------------------|--------------------------|------------------------------------|--|------------------------|-----------------------------------|
| | Love of learning | | | | | | | | |
| Skills | Self-regulation | Documents audit process | Assessing audit evidence | | Documentation | Assessing audit evidence | Pattern recognition | | Knows relevancy |
| | Management | Ensures quality | Project management | | | | | Project management | Presentation/image |
| | Decision-making | Determines materiality | Decision-making | | | Materiality | | Decision-making | Decisive |
| | Communication | Communicates with stakeholders | Oral communication | | | | Feedback | Communication | Communicates expertise |
| | Critical thinking | | Negotiation | | | | | Negotiation | |
| | Perspective-taking | | Critical thinking | | Analytical procedures | | Task-analysis | Fraud detection skills | Critical thinking |
| | | | | | | | Problem-solving | Problem-solving | Problem-solving |

| Competency studies | PAC model (2017) | INTOSAI competency Framework (2016) | Siriwardane et al. (2014) | McKnight & Wright (2011) | Armitage & Poyzer (2010) | Armitage (2008) (professors study) | Abdolmohammadi, Searfoss & Shanteau (2004) | Tan (1999) | Abdolmohammadi, & Shanteau (1992) |
|--------------------|------------------------|--|---|--------------------------|--------------------------|------------------------------------|--|------------|-----------------------------------|
| Knowledge | Written communications | Writes reports | Written communications | | Internal control | Audit reporting | Research skills | Accounting | Current knowledge |
| | Auditing knowledge | Sampling techniques | Accounting standards Double-entry accounting Internal control | | | Internal control | | | |
| | Research skills | Context & entity specific knowledge Performance audit | Fair value accounting Client’s business | | | Configural processing | | | |
| | Domain knowledge | Domain knowledge Understanding legislation | General business | | | | | | |
| | | | Information systems Forensic accounting Risk assessment | Audit risk | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |

Appendix B: Behaviours of a Performance Auditor

| Item No. | Source | Behaviours |
|----------|------------------------|---|
| 1 | IIA ² | Maintains industry specific knowledge appropriate to the audit engagements. |
| 2 | 3000/81 ³ | Knows and follows applicable auditing, accounting, and financial management standards, policies, procedures, and practices. |
| 3 | 3000/81 | Possesses a good understanding of the constitutional, legal and institutional principles and standards governing the operations of the audited entity. |
| 4 | 300/30 ⁴ | Has a full understanding of the government measures, which are the subject-matter of the audit, as well as the relevant background causes and the possible impacts. |
| 5 | 3000/107 | Knows of evaluation techniques and social science methods. |
| 6 | | Evaluates and controls the risks associated with the audit programme. |
| 7 | ISO 19011 ⁵ | Actively observes physical surroundings and activities. |
| 8 | ISO 19011 | Knows of and able to understand situations. |
| 9 | ISO 19011 | Readily adapts to different situations. |
| 10 | ISO 19011 | Reaches timely conclusions based on logical reasoning and analysis. |
| 11 | IIA | Organises and expresses ideas clearly and with confidence to influence others. |
| 12 | IIA | Extracts key information from a variety of sources to support communication. |
| 13 | IIA | Selects appropriate communication forms (verbal, non-verbal, visual, written) and media (face-to-face, electronic, paper-based). |
| 14 | IIA | Listens actively, asking questions as required to check own understanding. |
| 15 | IIA | Leads by example, regarding respect, helpfulness, and cooperation. |
| 16 | IIA | Manages conflict by negotiating and resolving disagreements. |
| 17 | IIA | Balances diplomacy with assertiveness. |
| 18 | IIA | Initiates and manages change within sphere of responsibility. |
| 19 | IIA | Ensures that information in decision-making is relevant, accurate, and sufficient. |
| 20 | 300/30 | Communicates effectively in writing. |
| 21 | 300/31 | Makes rational assessments and discounts his/her preferences and those of others. |
| 22 | 300/31 | Develops new knowledge and is creative, reflective, flexible, and resourceful and practical in his/her efforts to collect, interpret and analyse data. |

² Institute of Internal Auditors

³ Standards and guidelines for performance auditing based on INTOSAI's auditing standards and practical experience

⁴ Fundamental principals of performance auditing

⁵ Guidelines for auditing management systems

| Item No. | Source | Behaviours |
|----------|--------------------|--|
| 23 | SE ⁶ | Establishes a relationship with the audit team and common understanding of the audit content and subject-matter. |
| 24 | 300/30 | Evaluates whether and in what areas external expertise is required, and makes the necessary arrangements. |
| 25 | ISO 19011 | Balances the strengths and weaknesses of the audit team members. |
| 26 | ISO 19011 | Develops a harmonious working relationship among the audit team members. |
| 27 | ISO 19011 | Protects the health and safety of the audit team members during the audit, including ensuring compliance of the auditors with the health, safety, and security requirements. |
| 28 | 30/31 ⁷ | Exercises due professional care in conducting and supervising the audit and in preparing related reports. |
| 29 | IIA | Takes account of cultural aspects of the audited entity. |
| 30 | 30/27 | Does not disclose information obtained in the auditing process to third-parties, either orally or in writing, except for meeting the SAI's statutory or other identified responsibilities as part of the SAI's normal procedures or under relevant laws. |
| 31 | IIA | Performs tasks with impartiality. |
| 32 | 30/24 | Avoids all relationships with managers and staff in the audited entity and others parties which may influence, compromise or threaten the ability of auditors to act and be seen to be acting independently. |
| 33 | ISO 19011 | Focuses and persists in achieving objectives. |
| 34 | ISO 19011 | Learns from situations and strives for better audit results. |
| 35 | ISO 19011 | Collaborates and effectively interacts with others, including audit team members and the auditee's personnel. |
| 36 | IIA | Encourages others to work collaboratively. |
| 37 | IIA | Values and promotes diverse viewpoints and cultural sensitivity. |
| 38 | IIA | Treats others fairly without discrimination. |
| 39 | IIA | Respects confidentiality and secures the trust of other parties. |
| 40 | IIA | Recognises own limitations and seeks advice and support where required. |
| 41 | IIA | Upholds service oriented attitude. |
| 42 | IIA | Shows resilience in difficult situations to push through resistance and then work with people in a constructive manner. |
| 43 | IIA | Leads through influence, personal conviction and sensitivity rather than position. |
| 44 | IIA | Identifies and manages the needs and expectations of the stakeholders. |
| 45 | IIA | Acts as a role model by exemplifying high performance for team members. |
| 46 | IIA | Strives for quality and excellence and encourages others to do the same. |

⁶ Subject Expert

⁷ ISSAI 30 Code of Ethics

| Item No. | Source | Behaviours |
|----------|----------|---|
| 47 | 300/31 | Exercises professional scepticism by adopting a critical approach and maintaining an objective distance from the information provided. |
| 48 | 30/12 | Is honest and candid in their work and in their relationships with the staff of audited entities. Their conduct should be above suspicion and reproach. |
| 49 | 3000/81 | Does not undertake work he/she is not competent to perform. |
| 50 | 3000/26 | Takes care to remain independent so that his/her conclusions and findings are impartial and seen as such by third-parties. |
| 51 | 3000/74 | Exercises professional judgement and scepticism and considers issues from different perspectives, maintaining an open and objective attitude to various views and arguments. |
| 52 | 300/30 | Has open attitude to learning and an encouraging management culture for enhancing individual auditors' professional skills. |
| 53 | 300/31 | Has respect, flexibility, curiosity and a willingness to innovate in the audit process or activities. |
| 54 | 3000/40 | Elaborates the audit objective(s) in sufficient detail to be clear about the questions answered and to allow logical development of the audit design. |
| 55 | 3000/65 | Ensures that communication with stakeholders does not compromise the independence and impartiality of the SAI. |
| 56 | 3000/78 | Considers the risk of fraud throughout the audit process. |
| 57 | 3000/104 | Plans the audit so that it contributes to a high-quality audit that will be carried out in an economical, efficient, effective, and timely manner and under the principles of good project management. |
| 58 | 3000/49 | Establishes suitable audit criteria corresponding to the audit questions and related to the principles of economy, efficiency, and/or effectiveness. |
| 59 | 3000/110 | Designs the audit procedures to be used for gathering sufficient and appropriate audit evidence that respond to the audit objective(s). |
| 60 | 3000/115 | Obtains sufficient and appropriate audit evidence to establish findings, reach conclusions in response to the audit objective(s) and questions and issue recommendations when appropriate. |
| 61 | 3000/122 | Analyses the collected information and ensure that the audit findings are put in perspective and respond to the audit objective(s) and questions; reformulating the audit objective(s) and questions as needed. |
| 62 | 300/38 | Evaluates the evidence to obtain audit findings. Based on the findings, the auditor exercises professional judgement to reach a conclusion. |
| 63 | 3000/92 | Documents the audit in a sufficiently complete and detailed manner. |
| 64 | ECA | Identifies and summarises key weaknesses in a document or management letter. |
| 65 | 300/28 | Actively manages audit risk, which is the risk of obtaining incorrect or incomplete conclusions, providing unbalanced information or failing to add value for users. |

| Item No. | Source | Behaviours |
|----------|-----------|---|
| 66 | 3000/89 | Considers materiality at all stages of the audit process. Thought should be given, not only to financial, but also to social and political aspects of the subject-matter, with the aim of delivering as much added-value as possible. |
| 67 | 300/34 | Seeks contact with stakeholders, including scientists or other experts in the field, to build up proper knowledge regarding, for instance, good or best practices. |
| 68 | ISO 19011 | Leads the audit team to reach the audit conclusions. |
| 69 | 3000/134 | Ensures that the findings conclude against the audit objective(s) or questions, or explain why this was impossible. |
| 70 | 3000/136 | Provides constructive recommendations likely to contribute significantly to addressing the weaknesses or problems identified by the audit, whenever relevant and allowed by the SAI's mandate. |
| 71 | ISO 19011 | Uses management system standards or other documents as audit criteria. |
| 72 | ISO 19011 | Applies general business and management concepts, processes and related terminology, including planning, budgeting and management of personnel. |
| 73 | ISO 19011 | Applies laws and regulations and their governing agencies. |
| 74 | ISO 19011 | Represents the audit team in communications with the person managing the audit programme, audit client and auditee. |
| 75 | 3000/139 | Allows the audited entity the opportunity to comment on the audit findings, conclusions and recommendations before the SAI issues its audit report. |
| 76 | 300/29 | Maintains communication with audited entities throughout the audit process, using constructive interaction as different findings, arguments, and perspectives are assessed. |

Appendix C: Study 1: Questionnaire Items

| Item no. | Opinion statements (*Denotes items removed for Study 2 survey) |
|----------|---|
| 1* | Maintains industry specific knowledge appropriate to the audit engagement |
| 2 | Knows and follows applicable auditing, accounting, and financial management standards, policies, procedures and practices |
| 3* | Allows the audited entity the opportunity to comment on the audit findings, conclusions and recommendations before issuing the audit report |
| 4 | Has a full understanding of the government measures, which are the subject-matter of the audit, the background causes and the possible impacts |
| 5 | Ensures that the findings conclude against the audit objective(s) or questions, or explain why this was impossible |
| 6 | Evaluates and controls the risks associated with the audit programme |
| 7 | Leads through influence, conviction and sensitivity rather than position |
| 8 | Has good project management skills |
| 9* | Considers materiality (financial, social and political) at all stages of the audit process, with the aim of delivering as much added-value as possible |
| 10 | Selects appropriate communication forms (verbal, non-verbal, visual, written) and media (face-to-face, electronic, paper-based) |
| 11 | Documents the audit in a sufficiently complete and detailed manner |
| 12 | Manages conflict by negotiating and resolving disagreements |
| 13 | Obtains sufficient and appropriate audit evidence to establish findings, reach conclusions in response to the audit objective(s) and questions and issue recommendations when appropriate |
| 14 | Possesses a good understanding of the constitutional, legal and institutional principles and standards governing the operations of the audited entity |
| 15 | Balances diplomacy with assertiveness |
| 16 | Recognises own limitations and seeks advice and support where required |
| 17* | Establishes suitable audit criteria corresponding to the audit questions and related to the principles of economy, efficiency and/or effectiveness |
| 18 | Makes rational assessments and discounts his/her preferences and those of others |
| 19 | Considers the risk of fraud throughout the audit process |
| 20 | Establishes a relationship with the audit team and common understanding of the audit content and subject-matter |
| 21 | Elaborates the audit objective(s) that relate to the principles of economy, efficiency and effectiveness in sufficient detail to be clear about the questions answered and to allow logical development of the audit design |
| 22 | Has knowledge of evaluation techniques and social science methods |
| 23 | Exercises due professional care in conducting and supervising the audit and in preparing related reports |
| 24* | Communicates well with people of all intellectual and cultural backgrounds |
| 25 | Maintains an open and objective attitude to various views and arguments |
| 26 | Does not undertake work he/she is not competent to perform |
| 27 | Evaluates the evidence to obtain audit findings |
| 28 | Collaborates and effectively interacts with audit team members and the auditee |
| 29 | Exercises professional scepticism by adopting a critical approach and maintaining an objective distance from the information provided |
| 30 | Respects confidentiality and secures the trust of other parties |

| Item no. | Opinion statements (*Denotes items removed for Study 2 survey) |
|----------|--|
| 31 | Shows resilience in difficult situations to push through resistance and then work with people in a constructive way |
| 32 | Organises and expresses ideas clearly and with confidence to influence others |
| 33 | Is honest and candid in their work and in their relationships with the staff of audited entities |
| 34 | Draws fact-based, independent and unbiased conclusions |
| 35* | Takes care to remain independent so the conclusions and findings are impartial and seen as so by third-parties |
| 36 | Evaluates whether and in what areas external expertise is required, and makes the necessary arrangements |
| 37 | Has flexibility, curiosity and a willingness to innovate in the audit process or activities |
| 38* | Considers reliability of the data received from auditee's information systems |
| 39 | Listens actively, asking questions as required to check own understanding |
| 40 | Ensures that communication with stakeholders does not compromise the independence and impartiality of the auditor or audit body |
| 41 | Initiates and manages change within sphere of responsibility |
| 42 | Plans the audit so that it will be carried out in an economical, efficient, effective and timely manner |
| 43* | Designs the audit procedures to be used for gathering sufficient and appropriate audit evidence that respond to the audit objective(s) |
| 44 | Analyses the collected information and ensures that the audit findings are put in perspective and respond to the audit objective(s) and questions |
| 45* | Focuses and persists in achieving objectives |
| 46 | Actively manages the risk of obtaining incorrect or incomplete conclusions, providing unbalanced information or failing to add value for users |
| 47* | Seeks contact with stakeholders, including experts in the field, to build up relevant knowledge |
| 48* | Provides constructive recommendations likely to contribute significantly to addressing the weaknesses or problems identified by the audit |
| 49 | Values and promotes diverse viewpoints and cultural sensitivity |
| 50 | Maintains communication with audited entities throughout the audit process, using constructive interaction |
| 51 | Develops new knowledge and is creative, reflective, flexible, and resourceful and practical in his/her efforts to collect, interpret and analyse data |
| 52* | Relies on third-party reports only if corroborated |
| 53* | Communicates effectively in writing |
| 54 | Provides audit reports which are comprehensive, convincing, timely, reader-friendly, and balanced |
| 55 | Applies procedures to safeguard quality, ensuring that the requirements are met and emphasising appropriate, balanced and fair reports that add value and answer the audit questions |
| 56 | Concentrates on findings and recommendations that remain relevant and follows them up in an unbiased and independent way |

Appendix D: Documentation Evidence

| Documentation | Source |
|--|---|
| 1 ISSAI 30 – Code of Ethics, 1998. | International Organisation of Supreme Audit Institutions INTOSAI: http://www.issai.org/media/69911/issai-30-english.pdf |
| 2 Code of ethics for professional accountants, 2006. | International Federation of Accountants, IFAC: https://www.ifac.org/system/files/publications/files/ifac-code-of-ethics-for.pdf . |
| 3 International Standard on Auditing (ISA) 200. Overall objectives of the independent auditor and the conduct of an audit under international standards on auditing, 2010. | International Federation of Accountants, IFAC: http://www.ifac.org/sites/default/files/downloads/a008-2010-iaasb-handbook-isa-200.pdf . |
| 4 Guidelines for auditing management systems, 2011. | International Standards Organisation, ISO: http://www.iso.org/iso/home.html |
| 5 Global Internal Audit Competency Framework, 2013. | Institute of Internal Auditors, IIA: https://na.theiia.org . |
| 6 ISSAI 300 - Fundamental principles of performance auditing, 2014. | International Organisation of Supreme Audit Institutions INTOSAI: http://www.issai.org/media/69911/issai-300-english.pdf . |
| 7 Professional development in INTOSAI - a white paper, September 2014 | International Organisation of Supreme Audit Institutions INTOSAI: www.intosaicbc.org/.../2014/.../White-Paper-on-Professional-Development-FINAL-D . |
| 8 INTOSAI competency framework for auditors workshop, Oslo, Norway, 2015 | INTOSAI and LRMG performance agency: http://www.intosaicbc.org/results-of-workshop-on-intosai-competency-framework-for-auditors/ |
| 9 The enabling mechanisms required to facilitate and structure professional development at SAI level (position paper), 2016. | INTOSAI Capacity Building Committee: electronic copy received. |
| 10 Competency framework for public sector audit professionals at Supreme Audit Institutions (Draft July 2016). | INTOSAI Capacity Building Committee: electronic copy received. |

Appendix E: Extract from Analysis of Subject Experts Interviews

| Transcript | Analysis |
|---|--|
| Transcript 1 | Civic-minded |
| (SE 1) I believe that people should be interested in public services or society; have some sort of curiosity in that sense; have some sort of capacity to reflect. If we speak about performance auditing rather than auditing now. | Reflective capacity |
| (Researcher) Yes. | |
| (SE 1) Curiosity and an analytical mindset in a sense. | Curiosity & Analytical mindset |
| (SE 1) I'm mixing skills and competencies now and we can put them together later if you like. Integrity; | |
| I think drive is important but in another sense than being the executive-type - being restless. It's another kind of drive you need. You need a drive to run a marathon and you need another kind of drive to run 100 metres. But in both ways you need some sort of drive, but drive and stamina are more linked to each other. | Drive and stamina |
| (SE 1) and the ability to reflect... | Reflective capacity |
| (Researcher) Right. | |
| (SE 1) than be very, very quick. That kind of character – the executive character. I actually had a conversation, if I may take that ...with a person once who was a little bit too much into the executive part. So I told her maybe this is not her cup of tea and I helped her find something else. And after a half a year she called me and said that she was very, very thankful. She got the role of a managing director and she was very active, energetic, that kind of type and I don't think that is the type for performance audit. To reflect yes. | |
| (SE 1) Communication skills are very important. I mean, in oral and written. | Oral and written communication |
| (SE 1) an ability to relate to people. At the same time as you have, how shall I put it, some element of experienced well-dressed citizens. (laughter). | Interpersonal skills |
| (Researcher) How do you define that? | |
| (SE 1) You know by age you get that. If you meet a person who is 50 years old and doesn't have an element of cynicism, you find that person is rather naïve. | Savvy or realist |
| (Researcher) OK. | |
| (SE 1) So a little bit, not always believing what you hear, having some sort of putting things in perspective. | Perspective-taking |
| (SE 1) some sort of professional integrity, etc. So a combination of those two is very important. | Professional integrity |
| (SE 1) Ability to distance themselves from what they hear and what they are, etc. I think is important. | Perspective-taking |
| (SE 1) regarding skills, I think that it is important that you are familiar with research work and research method. But preferably not being married to particular techniques. So you can have that kind of experience that you have a distance from them so that you can be. | Broad familiarity with research design and methods |

| Transcript | Analysis |
|--|--|
| <p>(SE 1) pragmatic, compared to the fresh PhDs, who just apply a method and are very limited in their method. Having a little bit more pragmatic view and play with different kinds of methods and bit a little bit more eclectic if you like.</p> <p>(SE 1) What should I say more. Regarding background, when it comes to education, I actually don't have any specific preference. If they are interested in society they could be economists, they could be lawyers, they could be sociologists.</p> <p>(Researcher) So it's not important.</p> | Pragmatic |
| <p>(SE 1) Not so much important. The more important thing is that they have this big capacity. Not limited to being an expert in a specific area. I remember when I recruited people earlier and they said I want to work with schooling and education; that's the only think I like. Then I said, probably we have some authorities, the ministry of education that would fit you; because we will jump from flower to flower.</p> | Broad interest in public sector activities |
| <p>(SE 1) PA auditors need an aptitude or willingness to conduct research-type activities, including continue learning and seeking knowledge in their work.</p> | Love of learning |
| <p>Researcher) OK. It's a good start...Let me throw something at you then. Management. Project management versus other types of management, versus leadership, versus, all those concepts.</p> | |
| <p>(SE 1) I have this general philosophy that the more knowledge-intensive an activity is the more knowledge-intensive management has to be. You are not just basically an administrator; you are not just dealing with people in that sort of way, which you always have to do being a manager. You need to have some sort of professional authority; professional competence. And that goes for all knowledge-based activity and the more knowledge-oriented it is the more demanding it is all the way, which we see in some SAIs, by the way. When that is not the case, the office is in a problem when it comes to performance auditing.</p> | Management ability coupled with or derived from professional authority as a PA |
| <p>(Researcher) Yeah.</p> | |
| <p>(SE 1) They don't have to be detailed experts on a higher level, but if they don't have the full understanding of performance auditing being an auditor general they run the risk of running into trouble and if management are not professional they will become lame-ducks, sooner or later.</p> | |
| <p>(Researcher) But if you were appointing a team-leader for a project like we've seen here (today) would you prefer someone with proven project management skills who can deliver a project on time as opposed to someone with more PA skills..?</p> | |
| <p>(SE 1) Sorry, sorry I misunderstood you, I was more into the head of the office, sorry.. No, then I would probably...if I have to, if it is a critical audit, it depends, if it's a small regular piece or if it is a demanding one, I will go for one that I know he or she will make it; he or she is an experienced person when it comes to conducting these...know all these practical procedures etc., you know, make my life a little bit easier as a manager.</p> | Knowledge of PA audit process and procedures |

| Transcript | Analysis |
|--|--|
| <p>(SE 1) Yes. In a sense that they find new doors when other doors are closed. Find a second big solution. I can't find that information so I give up. Well are there other options? Can I see it from a different perspective? And if I hear a "no", what's the "yes" to this? So I think this is an element that is quite important actually. In most analytical jobs that go beyond logic you need creativity. (Researcher) And yet the other (audit) streams of compliance and financial would look down on that as a strength?</p> | <p>Creative in seeing opportunities and solutions. In analytical jobs that go beyond logic you need creativity</p> |
| <p>(SE 1) Yes. I'm not saying that creativity is the same as a wild bunch of Indians running around half drunk with a gun and being a police. So it is a structured kind of creativity; being able to think themselves and create their own pattern cause actually ...you define your topics to a large extent yourself. You define your perspectives to a large extent yourself. You compose the methods to a large extent yourself. And you will always meet arguments and perspectives and you still have to manage somehow and that for me, creativity in that sense is important, but not the free creativity; it's a structured, analytical creativity. It's difficult to exactly say what I mean.</p> | <p>Structured creative ability to make their own patterns and define own perspectives</p> |
| <p>(Researcher) Right. That's interesting. So getting on to the negotiation part, as we mentioned before we can't just come with our findings; we must also take in the perspectives of the auditee, when it comes to reporting as well. Some SAIs would consider that the performance auditors should not be, what they call, negotiating with regard to the perspective that they take, in other words, what does negotiation mean for you in the context of PA?</p> | |

| Transcript | Analysis |
|---|--|
| <p>(SE 1) I'm perhaps a little bit technical when I speak about negotiation. You have two parties and you try to find compromises in that kind of sense. Somebody wants something and don't want something and you find a compromise in between. I don't like the word negotiation in that circumstance; but an exchange of view and a give and take in arguments. But I have this idea when it comes to auditing, if somebody argues very strongly for a case I will let that argument be represented in the audit report. And I will try to meet that: I'm not myself, I've always said that. I don't care about your arguments or audit entities; what I care about is that you have provided the arguments that are there, pro- and against- and I don't want to be married to any argument if you feel that it is me versus them, then you are wrong out and the idea that negotiation and ourselves. Who are you negotiating with? Is it between you and the auditee or is it between the stakeholder and the auditee or what is it? So actually if there are vital arguments OK. Try to get them formulated as good as possible and let them be represented in the document. Then there might be situations as you said, where there might have some sort of conflicts and perspectives might vary; even that might be dealt with regarding better wording or whatever. And it has happened practically that they found some words very strong OK. If it is very sensitive for them and it doesn't mean that much for yourself, couldn't care less. I don't see that as a negotiation; I see it as a sound kind of judgement. With the key issues and you have an argument about that, present your arguments, stick to your arguments and go for it. (Researcher) OK.</p> | <p>Ability to exchange views and be open-minded to other perspectives and weigh up arguments for and against a particular position</p> |
| <p>(SE 1) But the word "negotiation" for me, I associate that with other situations particularly.</p> <p>(Researcher) OK. Let me give you another word then – "collaboration". Auditors work together with their auditees with regard to what? Where would you see ...</p> <p>(SE 1) I would see that depending on how you define it, I have asked auditees can you bring me the computer information about this? Go to the computer and deliver that, and they have done that. For instance, when I did an audit of the premium pensions system it was rather tricky information and you'd have to be a programmer to get that information and they said we will help you with that. Tell me what you want and we will deliver that for you.</p> <p>(Researcher) Facilitate data access. OK. The concept of ...we're talking about relationship development say, the concept of reciprocity, in other words when someone in a relationship does something for you; so you asked the auditee to get you data, to facilitate something for you, do you see any necessity to reciprocate to them something to them?</p> | <p>Cooperating and facilitating access</p> |
| <p>(SE 1) No.</p> <p>(Researcher) So it's a one-sided transaction?</p> <p>(SE 1) Yeah.</p> <p>(Researcher) You just ask and they give.</p> | |

| Transcript | Analysis |
|--|--|
| (SE 1) My offer would be openness. It could be. But that has always been my policy when I introduce something; that we will try to keep them as informed. So it is not specifically linked to data collection. It is a bigger principle. There are no paybacks. | Openness |
| (SE 1) I think the offer is communication. My experience actually is in my country, if you are fairly open they tend to be more open. And the idea that I had was they would say afterwards that this has been an interesting exchange of views rather than anything else. And if you make yourself interested, they will become more interested. But of you go to top management and look like the police and say what are your objectives here? You will not... | Communication – an exchange of views as equals |
| (SE 1) Also one thing, I saw a word there “evidence”. For me in performance auditing, besides the view that evidence is contextual, meaning you can have estimation, rough things for a rough conclusion, and precise information for precise conclusions. So evidence depends on the context and evidence in a sense is my most auditors as “here we have the proof”. | Contextualised judgement making |
| (SE 1) But to me it could actually be “clever reasoning”. | Persuasive through clever reasoning |
| (Researcher) Right clever reasoning. | |
| (SE 1) And letting the views and stakeholders’ perspectives be referred to and the arguments. When I read an audit report and don’t see simple kind of findings but I see an auditor reasoning around findings and giving different perspectives and arguments, you can view it from that perspective and taking the reader in a clever kind of reasoning; that for me is more evidential than just having those tables and the conclusion of the tables. But most auditors have another view of evidence more like proof. | |

Transcript 2

(SE 2) I read the competency framework and thought it very comprehensive. I can’t argue with any of it. Rather, I have a few thoughts which may add to it.

(Researcher) Thanks. Please go ahead.

(SE 2) One general thought I had was whether it could do with some explanation of who the behaviour indicators are aimed at. I wasn’t entirely sure whether these indicators were intended to be generic or whether they were role specific. 5.2 for example talks about documenting the audit. I see this as the role of more junior members of the team or the manager, rather than say the director of the project. It would be good to be clear if you envisage these competencies and behaviours being aimed at all conducting performance audit.

(Researcher) The objective was to capture the “practitioner auditor” – essentially the person who plans, conducts, manages and reports on the work.

Generic model of audit behaviour

| Transcript | Analysis |
|---|--|
| <p>(SE 2) Perhaps some behaviours are more important than others depending on role. On competency 5 for example, I wondered whether there shouldn't be something about planning efficiently and planning an efficient audit. In our organisation, we need auditors to develop their plans quickly but also to develop a study which maximises the evidence base but at as low a cost as possible. So delivering a good value-for-money (VFM) audit is important given limited resources.</p> <p>(Researcher) That's a good point. I suppose it could come under "self-regulation" – acting responsibly regarding use of resources and delivery.</p> | Efficient audit requires self-regulation |
| <p>(SE 2) I am not sure whether it is Competency 4 or 5 but we are looking for our performance auditors to be drawing linkages between their work and existing National Audit Office, UK work – either from their own subject area or from others where there may be a valuable read across. So not just focusing on the specific topic but understanding it in the wider context and drawing linkages and comparisons with a wider body of audit knowledge.</p> <p>(Researcher) Absolutely. I think this attribute would fit nicely under C4 "innovative solutions" and its component "creativity".</p> <p>(SE 2) Linked with that on Competency 4 it is not just external experts but also internal specialists. We place an increasing value on internal partner directors and expert specialists to guide performance audits.</p> | Creativity/innovation in making linkages |
| <p>(Researcher) It is hard to know where this would fit exactly. Perhaps using experts is a management skill, in particular "management of audit risk" that you have sufficient expertise available. So as you say, it would come under C4. But it could also be considered a "self-regulation" or "self-knowledge" issue. Good point.</p> | Management skills & risk assessment |

Appendix F: Validation Criteria for Competency Model Development

| Evaluative criteria for competency development (Shippmann et al., 2000) | As applied to the competency model development |
|--|--|
| 1. Variable combination of two or three methods used to compile data, depending on the research setting, target population, and intended application. | Literature review of performance standards; consultation with experienced auditors on behavioural items list; pilot questionnaire survey of practitioners; multinational questionnaire survey of practitioners; documentary analysis, and analysis of interviews with key SEs. |
| 2. Variable combination of two or three types of information (e.g., competencies, work activities, KSAOs, and performance standards) collected depending on the intended application. | KSAs, behaviours, performance standards. |
| 3. Information collected from content experts using a structured protocol and following a logically developed sampling plan with a comprehensive and representative sample. Content experts meet qualification criteria (e.g., time on job, top performers based on appraisals). | Survey of practitioners based on structured questionnaire – assessing completeness and importance of behaviours. |
| 4. Item-level descriptors comprehensively and accurately define each category or competency. | 56 behaviours used as item-level descriptors were statistically analysed and reduced to five six discrete competencies (containing 31 items), which were then defined by competency dimensions and descriptors. |
| 5. Competencies follow business context, goals and strategies. | Behavioural items and competencies compared to organisational goals and strategies of the INTOSAI organisation. |
| 6. Multiple systematic samples of content experts perform formally structured rating task (e.g., rating items on relative importance for successful job performance). Results are expressed as a percent of the average intercorrelations of the ratings. | Questionnaire survey of multinational performance audit practitioners used to formally rate items on level of importance for successful job performance. Exploratory factor analysis used to create coherent competencies. |
| 7. Multiple clear, logical criteria are consistently applied to items and categories to determine whether content is retained or deleted. | Inclusion and exclusion criteria defined as no overlapping items; observable behaviours; coherent with the over-arching competency, and relevant on basis of documentary analysis, and agreed practice, as put forward by the SEs. |

| Evaluative criteria for competency development (Shippmann et al., 2000) | As applied to the competency model development |
|---|---|
| 8. Review of competency model by technical experts and potential end users of applications (training and development) to ensure item-level descriptors are clear, that content categories (competencies) do not overlap, are internally consistent and represent measurable content appropriate for the intended application. | Interviews with SEs on key competencies and contextual influences. Analysis transcripts. Review of draft competency model by SEs and incorporation of themes and review comments. |
| 9. Detailed and customised written report which describes the procedures employed and the composition of content expert samples, includes copies of instruments used, and comprehensively reports the results. | Each stage of the process for competency model development is comprehensively described. |

Appendix G: Study 1: Interview Protocol

The questions below are being provided before the interview to allow time for reflection beforehand, on the issues and your experiences about the last audit you conducted. During the interview, which will take approximately 45 – 60 minutes, I will draw on them for our discussion. There are no right or wrong answers, just your experiences and opinions which I hope to obtain during the interview.

1. How would you characterise the relationship between you and the auditees during your last performance audit?
2. In what areas and in what ways do you trust auditees?
3. Do you feel a high level of trust between you and the auditee would affect your ability to maintain professional scepticism?
4. Does auditees' perception of the audit team's knowledge and skills influence the development and maintenance of good relations?
5. Do you think that auditors' credibility as regards their competence in areas of management theory and practice affects their influence with the audited organisation?
6. Do you think that performance auditing is an open, participatory and enabling process for auditees?
7. Do you think that performance auditing is a neutral and impartial practice?
8. What is the degree and nature of the personal and professional distance between you and your auditees generally? And what are the main threats to your independence as an auditor?
9. Do you think that auditors' actions and judgements are influenced by their possible consequences to themselves or others?
10. What influence tactics do you think are used by auditors and auditees to achieve their goals in this professional relationship?
11. Do you think that the cultural background of the auditor or auditee is an influencing factor in the relations between them?
12. Do you think that negotiation and compromises are inevitable in the performance auditing process?
13. Can you recount an instance where you were happy with your dealings with the auditee?
14. Do you think that it is the role of performance auditing to emphasise and encourage learning by auditees, and improvements to management processes?

Appendix H: Ethics Approval Certificate



London Metropolitan University, School of Psychology, Research Ethics Review Panel

I can confirm that the following project has received ethical approval by one anonymous Reviewer, the Head of School of Psychology and the Dean of the FLSC to proceed with the following research study (Professional doctorate):

Title: Beyond a Deficit-Based Approach to Auditing

Student: **John Patrick Sweeney**

Supervisor: *Dr Giovanni Moneta*

Ethical clearance to proceed has been granted providing that the study follows the most recent Ethical guidelines to dated used by the School of Psychology and British Psychological Society, and follows the above proposal in detail.

The researcher and her supervisor are responsible for conducting the research and should inform the Ethics panel if there are any substantive changes to the project that could affect its ethical dimensions, and re-submit the proposal if it is deemed necessary.

Signed: 

Date: 11 May 2015

Prof Dr Chris Lange-Küttner
(Chair - School of Psychology Research Ethics Review Panel)

Email c.langekuettner@londonmet.ac.uk

Appendix I: Study 1: Participant Briefing and Consent Form

You are being invited to participate in a research project. Before you participate, it is important that you to understand why the research is being done and what it will involve. Please take time to read this information carefully and ask if anything is unclear or if you would like further information.

The project identifies the main aspects that influence the relationship between the ECA's performance auditors and the EC and the potential for trust-based dialogue between the parties when carrying out performance audits. A review of the literature has been conducted and forms the underlying basis of this study.

You have been selected from the population of experienced auditors who have completed a performance audit in the past 12 – 18 months. If you agree to participate in this one-off interview, you will be asked to sign the consent form overleaf.

The researcher will go through the questions (which are attached to this letter), regarding experiences of dealing with EC officials in a performance audit. The interview will take approximately 45 - 60 minutes of your time. With your prior consent, the interview will be recorded on a digital recorder or written notes will be taken. The anonymised interviews will be transcribed and analysed. Any reporting will present only anonymised findings and individuals will not be identifiable.

This study is exploratory and you are only required to describe your personal experiences and opinions. There are therefore no right or wrong answers.

You will not be provided with individual feedback on the specific results of the interviews obtained but rather a summary of the results of the whole set of interviews.

If you participate in this study, your participation and any information collected from you will be kept strictly confidential, and will only be available to the researcher and his academic supervisors of London Metropolitan University. The audio files and transcripts will be anonymised and encrypted.

If you agree to participate, please read the attached consent statement and sign where indicated.

I would like to thank you in advance, for your participation.

Researcher: John Sweeney (JPS0084@my.londonmet.ac.uk)

CONSENT STATEMENT

I have been informed of and understand the purpose of this study and its procedures and I agree to participate in the research and to have my information used anonymously for this study. I understand there are no risks involved in the participation of this study.

Any identifying information will be removed from the data, so my anonymity will be maintained. I also agree that the interview data collected during the project will remain confidential but that anonymised data may be used in publications and conferences.

My participation is voluntary and that I may withdraw from the research before the data is anonymised, giving no reason and without prejudice.

My participation will remain confidential whether I participate fully or withdraw from the study.

All questions about the research have been satisfactorily answered and I will receive a debriefing form at the end of the interview, at which time I may ask extra questions. However, no individual feedback will be provided.

I agree to participate

I agree to the electronic recording of the interview (initials in box)

I do not agree to the electronic recording of the interview (initials in box)

Participant's signature: _____

Participant's name (please print): _____

Tick this box and provide your e-mail address if you would like to receive a summary of the aggregated results.

E-mail: _____

Date: _____

RESEARCHER'S STATEMENT

I have informed the above-named participants of this study and have sought to answer their questions to the best of my ability. I have read, understood, and agree to abide by the British Psychological Society's code of conduct, Ethical Principles and Guidelines for conducting research with human participants.

Signed: Date:

Appendix J: Study 2: Performance Audit Relations Questionnaire

Below are short statements. You are kindly asked to indicate the extent of your agreement/disagreement with each (strongly disagree/disagree/ agree/ strongly agree), based on your opinion and experiences. As this is an attitudinal survey, there are no correct or incorrect responses. The survey should take no longer than 10 minutes to complete.

1. When dealing with the auditees I try to understand their motivations and what influences their reactions to respond appropriately.
2. When deciding on performance standards to apply to the auditee, I find it useful to consider the performance of my own organisation as a benchmark.
3. I do not find that the auditee expects us to be experts in the subject-matter area.
4. I have worked on audits that end up with highly critical audit reports but with few feasible solutions.
5. I do not provide the auditee with additional feedback or information about the audit, but stick closely to the formal correspondence and reports.
6. My audit judgement is usually accepted by my hierarchy, subject to quality control checks.
7. When I disagree with the auditee on audit findings, I know I am doing my job correctly.
8. I find it difficult to be neutral in assessing performance, as audits are generally conceived based on identified management problems and areas of poor expected performance.
9. I strongly know that the social and political climate between my audit organisation and the audited entity can affect how I conduct my audit.
10. I generally trust the good intentions of the auditee in wanting to perform well and improve things.
11. I find that the audit team's competence can be doubted by our hierarchy when we fail to agree with the auditee on findings and recommendations.
12. I find that working closely with the auditee is like playing with the class bully; you either have sufficient trust, or you have fast legs to run away.
13. When auditing I consider in my audit judgement, the values and positions my audit organisation holds on the main issues affecting the auditee's performance.
14. I do not use brinkmanship (pushing discussions with the auditee to the brink of active conflict) when clearing the audit findings with the auditee.
15. Expressing my own judgements can be difficult in my organisation, as I must obey the instructions of my hierarchy.
16. When auditing a complex socio-economic environment, I generally have room for manoeuvre in how I see or interpret things.

17. I find that collaborating with the auditee can threaten my perceived independence and that of my audit organisation.
18. I do not make audit recommendations where I cannot estimate the added-value to the auditee.
19. I apply the principle that public sector auditing is about laying accountability at the door of those responsible for managing public monies – and not about building relationships, managing change, and winning trust.
20. Giving credit to auditees and making practical recommendations is how I try to bring about positive change in management.
21. I do not have empathy for auditees when conducting an audit.
22. I try to encourage auditees to present their ideas for solving the weaknesses.
23. It is not my job to persuade the auditee to change management practices: Only to show them where they are going wrong.
24. I can be sceptical about persons I am dealing with in the audited entity.
25. As an auditor, I share common objectives with the auditee in seeking to make things run better and have better outcomes.
26. When I have expertise in the audit subject-matter, I do not need to be so receptive to the position the auditee is presenting.
27. The head(s) of audit organisations should actively build trust and common goals with the heads of the audited entities.
28. I find that it is enough that I acquire expertise in the subject-matter while I am carrying out the performance audit.
29. I keep my promises to auditees.
30. When I am conducting an audit, I explain to the auditee why and how the audit will be conducted.
31. I find that having regular contacts with the auditee risks hurting my independent judgement.
32. I must make a special effort to balance the conflicting roles I have between being a fault-finder and wishing to constructively help the auditee make improvements.
33. I find that the auditee cannot trust me fully, as I am not the master of my own decision-making.
34. I generally find that negative publicity is not a good motivator for change in auditees' management practices.
35. I prepare the audit well, to show I am competent in managing the audit.
36. I like to put myself in the shoes of the auditee when considering the facts and making recommendations.
37. I am frank and transparent in dealing with auditees.
38. I like to let the auditee have input into the design of the audit.

39. When I am part of an audit team that has expert knowledge of the subject-matter, we usually deliver a high-quality audit product.
40. As performance auditing involves problem-solving, I use creative thinking approaches for coming up with solutions and recommendations.
41. I arrive at higher added-value audit recommendations when I actively involve the auditee in proposing possible solutions.
42. It is good to communicate as much as possible with the auditee during the audit process.
43. When auditing, the audit team needs to apply appropriate general management theory and principles to the subject-matter being audited.
44. The selection of audits is often driven more by newspaper reports and public interest than by a full risk analysis.
45. I find that unless there is consistency in the messages and behaviours between the audit organisation and the auditee, building a constructive relationship is most difficult.
46. I try to ensure that the audit reports are fair and balanced so that the auditees are not overly defensive about criticisms.
47. When auditing, I discuss and negotiate with the auditee on what is a reasonable interpretation of the events and outcomes.
48. I must point out to auditees the possibility of adverse publicity following the audit, to encourage them to engage with the audit process.
49. I find that my effectiveness as an auditor is judged by the criticality of the report I produce, rather than whether it contains useful recommendations for improvements.
50. I keep the auditee informed of the preliminary audit findings and progress on the audit task throughout the audit.
51. I find that having detailed expert knowledge of an audit subject-matter can place me at a disadvantage, as I may have preconceived ideas and assumptions.
52. I do not deceive or mislead the auditee about the intention or purpose of my actions.
53. I know that if I provide guidance and training to auditees it can threaten my independence.
54. I find collaborating with the auditee easy, once we both have a clear sense of our roles and responsibilities.
55. It is reasonable that my organisation's senior management is the final arbitrator of the audit team's findings, conclusions and recommendations in the audit report.
56. I find that the auditee can question the audit team's knowledge or competence during an audit.
57. I do not mind the auditee contacting me at any time for advice or information about audit or best practice issues.
58. I have no problem sharing information we have gathered from other sources with auditees (once legally permissible), if it helps them in their management role.

59. I am happily surprised when the auditee takes on board audit advice or reacts positively to the information I have provided.
 60. When I am performance auditing I do not plan everything, due to the complex nature of such audits and the to be adaptive to new circumstances.
 61. I try to operate as a diagnostician and problem-solver when conducting audits.
 62. All I really need to conduct an audit are good auditing skills.
 63. I approach audit issues with a questioning mind, to reduce the risk of being manipulated by the auditee.
 64. I try to cooperate with the auditees by developing and disseminating good practice guidance where possible so they can learn and introduce new management practices.
 65. I feel uneasy and extra vigilant when the auditee is very cooperative.
 66. I need not be creative when carrying out an audit.
 67. It is my role as auditor to move the auditee's thinking from being defensive, to recognising the need for improvements.
 68. I work because audit reports should report the findings, regardless of whether they undermine public confidence in public administration.
 69. I like to use my oversight and insight of an audited area to create knowledge and present a persuasive case for positive change.
 70. It is easier to establish a common understanding with auditees as you move higher up the hierarchies in the organisations.
-

Finally, please indicate the number of years you have been working in auditing

☐ 0 - 2

☐ 3 - 5

☐ 6 - 9

☐ 10+

Appendix K: Study 3: Survey Questionnaire

*** Please indicate the extent of your agreement/disagreement with each statement, based on your personal opinion and experiences, rather than what the situation "should be".**

| | 4 Strongly disagree | 3 Disagree | 2 Agree | 1 Strongly agree |
|---|------------------------|-----------------------|-----------------------|-----------------------|
| 1. I try to encourage auditees to present their ideas for solving the weaknesses. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 2. When dealing with the auditees I try to understand their motivations and what influences their reactions in order to respond appropriately. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 3. As performance auditing involves problem-solving, I use creative-thinking approaches for coming up with solutions and recommendations. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 4. I find that I arrive at higher added-value audit recommendations when I actively involve the auditee in proposing possible solutions. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 5. I try to ensure that the audit reports are fair and balanced, so that the auditees are not overly defensive about criticisms. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 6. When auditing I take into account in my audit judgement, the values and positions my audit organisation holds on the key issues affecting the auditee's performance. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 7. When I am conducting an audit, I explain to the auditee why and how the audit will be conducted. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 8. I think that the head(s) of audit organisations should actively build trust and common goals with the heads of the audited entities. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 9. I apply the principle that public sector auditing is about laying accountability at the door of those responsible for managing public monies - and not about building relationships, managing change, and winning trust. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 10. I do not deceive or mislead the auditee as to the intention or purpose of my actions. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 11. I find it good to communicate as much as possible with the auditee during the audit process. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 12. I keep my promises to auditees. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 13. I like to use my oversight and insight of an audited area to create knowledge and present a persuasive case for positive change. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 14. I keep the auditee informed of the preliminary audit findings and progress on the audit task throughout the audit. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

* Please indicate the extent of your agreement/disagreement with each statement, based on your personal opinion and experiences, rather than what the situation "should be".

| | 4 Strongly disagree | 3 Disagree | 2 Agree | 1 Strongly agree |
|---|------------------------|-----------------------|-----------------------|-----------------------|
| 15. People involved in collaborations are willing to compromise on important aspects of the collaborative project. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 16. Each person who participates in decisions in collaborative projects can speak for the entire organization they represent, not just a part. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 17. People in collaborative groups are open to different approaches to how they can work. They are willing to consider different ways of working. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 18. People in collaborative groups have a clear sense of their roles and responsibilities. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 19. I make people feel welcome. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 20. I anticipate the needs of other people. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 21. I love to help other people. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 22. I am concerned about other people. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 23. I have a good word for everyone. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 24. I look down on other people. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 25. I am indifferent to the feelings of other people. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 26. I make people feel uncomfortable. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

* Please indicate the extent of your agreement/disagreement with each statement, based on your personal opinion and experiences, rather than what the situation "should be".

| | 4 Strongly disagree | 3 Disagree | 2 Agree | 1 Strongly agree |
|---|------------------------|-----------------------|-----------------------|-----------------------|
| 1. I admit when I am wrong. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 2. I treat all people equally. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 3. I am a good listener. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 4. I believe that everyone's rights are equally important. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 5. I give everyone a chance. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 6. I am committed to principles of justice and equality. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 7. I believe that everyone should have a say. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 8. I take advantage of other people. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 9. I treat others differently if I don't like them. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 10. It is common in the audit context to try solve problems through collaboration. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 11. The political and social climate is now "right" for collaborating with auditees. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 12. Auditors and auditees who collaborate always trust one another. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 13. I have a lot of respect for the other people involved in collaboration projects. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 14. Performance auditors can benefit from being involved in collaborations with auditees. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

*** Please indicate the extent of your agreement/disagreement with each statement, based on your personal opinion and experiences, rather than what the situation "should be".**

| | 4 Strongly disagree | 3 Disagree | 2 Agree | 1 Strongly agree |
|--|------------------------|-----------------------|-----------------------|-----------------------|
| 27. I turn my back on other people. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 28. I give no time to other people. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 29. I see beauty in things that others might not notice. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 30. I am passionate about causes. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 31. I am inexplicably happy some of the time. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 32. I express childlike joy. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 33. I enjoy examining myself and my life. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 34. I am passionate about anything I'm involved in. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 35. I love flowers. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 36. I rarely look for a deeper meaning in things. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 37. I do not like poetry. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

*** Finally, please indicate the number of years you have been auditing**

- ☐ 0 - 2
- ☐ 3 - 5
- ☐ 6 - 9
- ☐ 10+

Appendix L: Study 3: Convergent and Divergent Scale Items

| | Validation Scale | Convergent/ divergent scales | PA Dimensions |
|----|---|---------------------------------|---------------|
| 49 | I admit when I am wrong.(+) | Equity/Fairness | Fairness |
| 50 | I treat all people equally.(+) | Equity/Fairness | Fairness |
| 51 | I am a good listener.(+) | Equity/Fairness | Fairness |
| 52 | I believe that everyone's rights are equally important.(+) | Equity/Fairness | Fairness |
| 53 | I give everyone a chance.(+) | Equity/Fairness | Fairness |
| 54 | I am committed to principles of justice and equality.(+) | Equity/Fairness | Fairness |
| 55 | I believe that everyone should have a say.(+) | Equity/Fairness | Fairness |
| 56 | I take advantage of others.(-) | Equity/Fairness | Fairness |
| 57 | I treat others differently if I don't like them.(-) | Equity/Fairness | Fairness |
| 58 | Trying to solve problems through collaboration has been common in the audit context. It's been done a lot before. (+) | Collaboration | Collaboration |
| 59 | The political and social climate seems to be "right" for collaborating with auditees.(+) | Collaboration | Collaboration |
| 60 | People involved in collaborations between auditors and auditees always trust one another. (+) | Collaboration | Collaboration |
| 61 | I have a lot of respect for the other people involved in collaboration projects. (+) | Collaboration | Collaboration |
| 62 | Performance auditors could benefit from being involved in collaborations with auditees.(+) | Collaboration | Collaboration |
| 63 | People involved in collaborations are willing to compromise on important aspects of the collaborative project. (+) | Collaboration | Collaboration |
| 64 | Each of the people who participate in decisions in collaborative projects can speak for the entire organization they represent, not just a part. (+) | Collaboration | Collaboration |
| 65 | People in collaborative groups are open to different approaches to how they can work. They are willing to consider different ways of working. (+) | Collaboration | Collaboration |

| Validation Scale | | Validation Scale | Validation Scale |
|------------------|--|----------------------|------------------|
| 66 | People in collaborative groups have a clear sense of their roles and responsibilities. (+) | Collaboration | Collaboration |
| 67 | I make people feel welcome.(+) | Altruism | Positive change |
| 68 | I anticipate the needs of others.(+) | Altruism | Positive change |
| 69 | I love to help others.(+) | Altruism | Positive change |
| 70 | I am concerned about others.(+) | Altruism | Positive change |
| 71 | I have a good word for everyone.(+) | Altruism | Positive change |
| 72 | I look down on others.(-) | Altruism | Positive change |
| 73 | I am indifferent to the feelings of others.(-) | Altruism | Positive change |
| 74 | I make people feel uncomfortable.(-) | Altruism | Positive change |
| 75 | I turn my back on others.(-) | Altruism | Positive change |
| 76 | I take no time for others.(-) | Altruism | Positive change |
| 77 | I see beauty in things that others might not notice. (+) | Romanticism | Divergent scale |
| 78 | I am passionate about causes. (+) | Romanticism | Divergent scale |
| 79 | I am inexplicably happy some of the time. (+) | Romanticism | Divergent scale |
| 80 | I express childlike joy. (+) | Romanticism | Divergent scale |
| 81 | I enjoy examining myself and my life. (+) | Romanticism | Divergent scale |
| 82 | I am passionate about anything I'm involved in. (+) | Romanticism | Divergent scale |
| 83 | I love flowers. (+) | Romanticism | Divergent scale |
| 84 | I rarely look for a deeper meaning in things. (-) | Romanticism | Divergent scale |
| 85 | I do not like poetry. (-) | Romanticism | Divergent scale |

Appendix M: Pre-intervention Questionnaire

Please read these statements and indicate whether you agree or disagree

1 *strongly disagree*; 2 *disagree*; 3 *neutral*; 4 *agree*; 5 *strongly agree*

| Item no. | Item | Construct |
|----------|---|---------------|
| 1 | I find that collaborating with the auditee can threaten my perceived independence and that of my audit organisation. | collaboration |
| 2 | As an auditor, I share common objectives with the auditee in seeking to make things run better and have better outcomes. | collaboration |
| 3 | I find that I arrive at higher added-value audit recommendations when I actively involve the auditee in proposing possible solutions. | collaboration |
| 4 | I find collaborating with the auditee easy, once we both have a clear sense of our roles and responsibilities. | collaboration |
| 5 | I do not mind the auditee contacting me at any time for advice or information about audit or best practice issues. | collaboration |
| 6 | I try to cooperate with the auditees by developing and disseminating good practice guidance where possible so that they can learn and introduce new management practices. | collaboration |
| 7 | I do not to provide the auditee with additional feedback or information on the audit, but stick closely to the formal correspondence and reports. | collaboration |
| 8 | I find that it is enough that I acquire expertise in the subject matter while I am carrying out the performance audit. | competence |
| 9 | I prepare the audit well, in order to show that I am competent in managing the audit. | competence |
| 10 | As performance auditing involves problem-solving, I use creative-thinking approaches for coming up with solutions and recommendations. | competence |
| 11 | When auditing, the audit team needs to be able to apply appropriate general management theory and principles to the subject matter being audited. | competence |
| 12 | All I really need to conduct an audit are good auditing skills. | competence |
| 13 | I do not need to be creative when carrying out an audit. | competence |
| 14 | When I disagree with the auditee on audit findings, I know I am doing my job correctly. | fairness |
| 15 | I would not push discussions with the auditee to the brink of active conflict when clearing the audit findings with the auditee. | fairness |
| 16 | When I am conducting an audit, I explain to the auditee why and how the audit will be conducted. | fairness |
| 17 | I am frank and transparent in dealing with auditee. | fairness |
| 18 | I like to let the auditee have some input into the design of the audit. | fairness |

| | | |
|----|--|-----------------|
| 19 | When dealing with the auditees, I try to understand their motivations and what influences their reactions in order to respond appropriately. | fairness |
| 20 | I can be sceptical about persons I am dealing with in the audited entity. | fairness |
| 21 | I approach audit issues with a questioning mind, so as to reduce the risk of not being manipulated by the auditee. | fairness |
| 22 | I generally trust the good intentions of the auditee in wanting to perform well and improve things. | fairness |
| 23 | I find that the auditee cannot trust me fully, as I am not the master of my own decision-making. | fairness |
| 24 | I find that unless there is consistency in the messages and behaviours between the audit organisation and the auditee, building a constructive relationship is most difficult. | fairness |
| 25 | I keep the auditee informed of the preliminary audit findings and progress on the audit task throughout the audit. | fairness |
| 26 | I do not deceive or mislead the auditee as to the intention or purpose of my actions. | fairness |
| 27 | I find that having regular contacts with the auditee risks adversely affect my independent judgement. | independence |
| 28 | When auditing, I discuss and negotiate with the auditee on what is a reasonable interpretation of the events and outcomes. | independence |
| 29 | If I provide guidance and training to auditees it can threaten my independence. | independence |
| 30 | I find it difficult to be neutral in assessing performance, as audits are generally conceived on the basis of identified management problems and areas of poor expected performance. | independence |
| 31 | I apply the principle that public sector auditing is about laying accountability at the door of those responsible for managing public monies – and not about building relationships, managing change, and winning trust. | positive change |
| 32 | Giving credit to auditees and making practical recommendations is how I try to bring about positive change in management. | positive change |
| 33 | I try to encourage auditees to present their ideas for solving the weaknesses. | positive change |
| 34 | It is not my job to persuade the auditee to change management practices: But just to show them where they are going wrong. | positive change |
| 35 | I work on the basis that audit reports should just report the findings, regardless of whether they undermine public confidence in public administration. | positive change |

Appendix N: Post-intervention Questionnaire

Please read these statements and indicate whether you agree or disagree

1 *strongly disagree*; 2 *disagree*; 3 *neutral*; 4 *agree*; 5 *strongly agree*

| Item |
|---|
| 1. I arrive at higher added-value audit recommendations when I actively involve the auditee in proposing possible solutions. |
| 2. I keep the auditee informed of the preliminary audit findings and progress on the audit task throughout the audit. |
| 3. As performance auditing involves problem-solving, I use creative thinking approaches for coming up with solutions and recommendations. |
| 4. It is good to communicate as much as possible with the auditee during the audit process. |
| 5. I try to encourage auditees to present their ideas for solving the weaknesses. |
| 6. The head(s) of audit organisations should actively build trust and common goals with the heads of the audited entities. |
| 7. When dealing with the auditees I try to understand their motivations and what influences their reactions to respond appropriately. |
| 8. When I am conducting an audit, I explain to the auditee why and how the audit will be conducted. |
| 9. When auditing I consider in my audit judgement, the values and positions my audit organisation holds on the main issues affecting the auditee's performance. |
| 10. I like to use my oversight and insight of an audited area to create knowledge and present a persuasive case for positive change. |
| 11. I do not deceive or mislead the auditee about the intention or purpose of my actions. |
| 12. I keep my promises to auditees. |
| 13. I find that communicating shared values and common ground with the auditees improves effective professional relationship. |
| 14. I can influence auditees' cooperation with the audit by keeping them informed of the audit process, deadlines, and outcomes. |
| 15. I believe that by being aware of our engagement style and that of the auditees (authoritarian or participative) we can improve my audit experience. |
| 16. Knowing what the ECA's position is on financial management issues would improve consistency in our experiences with auditees. |
| 17. I believe that we need sufficient knowledge of the subject-matter before engaging with the auditees. |
| 19. I feel that opportunistic behaviour (self-interest seeking) should be avoided when dealing with auditees. |
| 20. I think that professional scepticism can limit my capacity to be open-minded. |

Appendix O: Audit Communications and Relations: Discussion Points

Communication and information exchange

1. What are the impediments you feel hurt the planning, running, and reporting of an audit?
2. Are there blockages in the audit process that could be improved through better communication/discussions/exchanges with the auditee?
3. If audit arrangements and relations between audit teams and the Commission team were at their best, what would they look and feel like?
4. To what extent would better communication with the auditee improve the running of audits? What would « better communication » look like?
5. Are there specific things those outside the audit team could do (e.g., the Chamber Directorate, DQC, the Presidency, or others) that would improve efficiency and improve relations with the Commission?
6. Do you think that the auditee always understands what performance audits are about? The timeline and procedures we follow (e.g., planning memoranda, clearing findings letters, draft reports, etc.)
7. If not, what could be done to improve this? Would a booklet or explanatory video help here?
8. Is there information we could provide to the Commission following the audit that would improve its management of its areas

Audit recommendations

9. The quality criteria for recommendations require that we ensure that they are cost-effective, reasonable, achievable, etc. To what extent do you can hold open and useful discussions with the Commission on these draft recommendations, so they have real input into the recommendations?
10. What are the impediments to having such discussions?
11. What could improve this situation

Opportunities for cooperation and collaboration

12. What are the opportunities for collaboration with the auditee?
13. What are the impediments, real or perceived?
14. Have you examples of good collaboration either on an audit or complementary or subsidiary to an audit?

Appendix P: Quality Assessment Sheet

| Quality criteria | Criteria applied to | Strong 3 | Mod 2 | Weak 1 | Avg. rating |
|--|---------------------|-------------|----------|-----------|----------------|
| A Conceptual basis of study | | | | | |
| 1. Did the study (review) address a focused issue (population studied, outcomes considered)? | Both | | | | |
| 2. Was the conceptual framework explicit and justified? | Both | | | | |
| 3. Were definitions of the phenomena stated? | Both | | | | |
| 4. Were the hypotheses/research questions stated and discussed? | Both | | | | |
| B Study design | | | | | |
| 5. Did the study's clear design corresponds to the theoretical problems/ research question? | Both | | | | |
| 6. Was there a critical and constructive analysis of the literature? | Both | | | | |
| 7. Was the study design and methodology adequately described and appropriate? | Both | | | | |
| C Data collection | | | | | |
| 8. Did the review have reasonable inclusions/exclusions considering the question? | Both | | | | |
| 9. Was the quality, rigour, and relevance of the referenced studies adequately considered? | Theoretical | | | | |
| 10. Were the participants/cases likely to represent the target population? | Both | | | | |
| 11. Was there a reasonable/reliable and consistent method for measuring variables? | Empirical | | | | |
| D Analysis | | | | | |
| 12. Was the data analysis sufficiently rigorous? | Both | | | | |
| 13. Were important assertions supported by adequate evidence/justification? | Both | | | | |
| 14. Was the theoretical/conceptual analysis sufficiently critical? | Theoretical | | | | |
| E Results | | | | | |
| 15. Was there a clear statement of findings? | Both | | | | |
| 16. Have potential cofounders/bias and limitations been adequately considered? | Both | | | | |

| Quality criteria | Criteria applied to | Strong 3 | Mod 2 | Weak 1 | Avg. rating |
|--|---------------------|-------------|----------|-----------|----------------|
| 17. Were the validity and reliability of the measures described? | Empirical | | | | |
| F Originality and application | | | | | |
| 18. Does the paper add value to thinking? | Both | | | | |
| 19. Does the paper reflect seasoned thinking, conveying completeness and thoroughness? | Both | | | | |
| 20. Was the underlying logic and supporting evidence compelling and author's assumptions specific? | Both | | | | |

Appendix Q: Main Elements of the Studies

| No. | Reference | Study design | Research question or hypothesis | Key findings | Implications for practice | Limitations |
|-----|---|---|---|--|---|---|
| 1 | Chen, Y-H., Lin, T-P., & Yen, D.C. (2014) | Empirical - Quantitative – questionnaire-based data-collection | <u>Hypotheses</u> : Organisations that embrace shared goals tend to develop IO trust; Organisations that develop relational embeddedness tend to develop IO trust; Organisations that utilise an influence strategy tend to develop IO trust; IO trust influences collaboration positively; IO collaborative relationships influence knowledge sharing positively; IO trust influences knowledge sharing positively | IO trust is the cornerstone of business collaboration and can be developed using influence strategy, nurturing IO trust, developing embedded relationships and creating shared goals | Embedded relationships (those based on trust, mutuality, and flexibility) are more important than influence strategy or shared goals in developing IO trust | Principal limitation is the mono-cultural nature of sample |
| 2 | Schillemans, T., & Smulders, R. (2016) | Empirical - Grounded-theory approach - document analysis and interviews | How and when do accountability arrangements contribute to learning in an organisation? | OL can thrive under conditions of multiple accountability. However, it requires a balance of trust and control. | No direct implications. However, the findings could serve as a basis for future empirical research | Study does not focus on incidents of accountability but structural and administrative forms; single country limits generalisability; analysis did not link the learning process between |

| No. | Reference | Study design | Research question or hypothesis | Key findings | Implications for practice | Limitations |
|-----|--|---|--|---|--|--|
| | | | | | | individual and institutional learning |
| 3 | Rashman, L. and Hartley, J. (2002). | Empirical - Interviews and content analysis | Examines the extent to which collaborating organisations learn to improve; and whether this leads to improved organisational processes and delivery outcomes | Enablers of IOL are trust, learning capacity and geographical and political similarities | Findings can be operationalised in inter-organisational context. | Principal limitation is the specificity and lack of generalisability of the single case-study (UK-based) approach. |
| 4 | Rashman, L., Withers, E., & Hartley, J. (2009) | Systematic review | What factors influence OL and IOL in the public sector?; how are they different from private sector context?; what are the issues for both? | Sector specific features in the public sector such as institutional, governance, and structural context influence OL and IOL; the public sector is constrained by political goals and tensions; there is an over reliance on private sector research in this area | Better consideration of the characteristics of the public sector context can enhance OL and IOL learning processes | None identified |

| No. | Reference | Study design | Research question or hypothesis | Key findings | Implications for practice | Limitations |
|-----|---|--|---|---|--|---|
| 5 | Holmqvist, M. (2003) | Literature review | The aim is to outline a dynamic theory of OL and IOL which integrates the OL and IOL framework consisting of exploitation and exploration processes | Inter-level dynamics in OL requires looking differently at the concept of organisations (e.g. virtual organisations) as arrangements which are more fluid and dynamic than heretofore appreciated | Organisations need to be adaptive and receptive to organisational learning and not differentiate between intra and inter contexts. | None identified |
| 6 | Van Winkelen, C. (2010) | Empirical - Case-study interviews | Aim is to generate conceptual and practical insights into enablers of IOL collaborations | Coherent set of actions to derive most value from IOL collaborations | Practical actions are recommended concerning systems and processes; the development of social ties; developing trust and managing risk, and handling power relations | The limited generalisability of results from nine UK-based organisations only |
| 7 | Schillemans, M., Van Twist, M., & Van Hommerig, I. (2013) | Literature review and case-study methodology | Objective is to assess the ability of innovative accountability mechanisms to invoke learning processes | Characteristics of the accountability phases provide the basis for concrete action by accountability providers | Identifies which elements of Boven's (2007) three-stage model of accountability phases are important for learning to occur | None identified |

| No. | Reference | Study design | Research question or hypothesis | Key findings | Implications for practice | Limitations |
|-----|--|---|--|--|---|--|
| 8 | Romzek, B.S., LeRoux, K., Blackmar, J.M. (2012) | Literature Review | Informal norms, expectations, and behaviour that facilitate collective action and promote informal accountability among organisational actors. | Identifies useful area for further research in IOL - relationship between OL and IOL and the role of boundaries at various levels in IOL | No direct implications. However, the findings could serve as a basis for future empirical research | None identified |
| 9 | Schillemans, T. (2008) | Empirical - Documentary analysis; interviews; thematic analysis | What forms of horizontal accountability are on the rise?; what do they contribute to the accountability of agencies?; what is the role of such new arrangements in the accountability regime? | Horizontal accountability produces feedback information on operations that support single loop learning processes; it also allows organisations to develop a coalition of supporters | Findings can contribute to implementing optimal arrangements for different forms of accountability and leveraging useful learning outcomes. | None identified |
| 10 | Aucoin, P., & Heintzman, R. (2000) | Theoretical | To examine three trends: greater degree of devolution or de-bureaucratization in the management of public affairs; greater degree of shared governance and collaborative management; and efforts of governments to address demands both for results and for demonstrated performance | Paper concludes that continuous learning is a legitimate element of accountability | Conceptual paper; practical implication not considered | The paper remains at the theoretical level; highly ambitious propositions to “reinvent both political behaviour and political culture” to achieve continuous improvement |

| No. | Reference | Study design | Research question or hypothesis | Key findings | Implications for practice | Limitations |
|-----|--|-------------------|---|--|---|--|
| 11 | Nooshinfard, F., & Nemati-Anaraki, L. (2014) | Literature review | What are the factors that determine knowledge sharing? | Presentation of a revised conceptual framework for IO | The factors identified in support of IO sharing could serve as a basis for future empirical research and action plans, as well as knowledge sharing practices between organisations such as universities and research centres | The paper does not present a coherent set of factors but rather a taxonomy of different frameworks |
| 12 | Sørensen, E. (2012) | Literature review | Analysis of the relationship between public innovation and accountability | Public sector is constrained by political goals and tensions; sector specific features within public sector are likely to influence OL and IOL | The conceptual paper calls for the development of different accountability standards to address collaborative innovation processes of NPG. | None identified |

| No. | Reference | Study design | Research question or hypothesis | Key findings | Implications for practice | Limitations |
|-----|--|-------------------|--|--|--|---|
| 13 | Greiling, D., & Halachmi, A. (2013) | Literature review | To assess whether enablers of OL are reconcilable with common arrangements for public sector accountability | The paper concludes that accountability requires both acceptance of responsibility for learning and for implementing lessons learned. | Although the paper identifies useful enablers of OL in an accountability context, it does not directly address the important follow-up question, how to get from the provision of useful accountability information to OL and subsequently long-term improvements. | The paper recognises the lack of empirical data; that enablers for different types of accountability are excluded; that the bridge between informal and formal accountability is not dealt with |
| 14 | Easterby-Smith, M., Lyles, M. A., & Tsang, E. W. K. (2008) | Literature review | Literature review based on articles submitted in response to a number of themes/questions presented by journal editors | Presents factors influencing IO knowledge transfer: resources of donors/recipients; capabilities of donor and recipients; nature of the knowledge; inter-organisational dynamics | The factors identified could serve as a basis for future empirical research and action plans for organisations | None identified |