

Dutch Local Government Audit Committees

Effective Instrument in the Search for Improvements in Accountability and Local Democracy?

Sandra Tillema and Henk J. ter Bogt^{i,ii}

ⁱ The authors are from the University of Groningen. Address for correspondence: Sandra Tillema, University of Groningen, Faculty of Economics and Business, P.O. Box 800, 9700 AV Groningen, The Netherlands; e-mail: s.tillema@rug.nl.

ⁱⁱ The authors would like to thank Bob Scapens for his comments on and suggestions for earlier versions of this paper.

Dutch Local Government Audit Committees

Effective Instrument in the Search for Improvements in Accountability and Local Democracy?

Abstract:

Authors such as Everett (2003) and Pallot (2003) observe that performance auditing can damage accountability relationships and the quality of democratic processes. However, these authors focus on a particular type of accountability information; namely, information about the efficiency of programmes or activities and their effectiveness in terms of outputs. This raises the question of whether other types of information have similar effects. This paper aims to answer this question. It introduces a classification of accountability information, and analyses the effects of local government audit committees that produce different types of information on accountability relationships and democratic processes in the Netherlands. Two case studies show that, even when it leads to a broad set of accountability information, it is unlikely that performance auditing enhances accountability and democracy. The paper concludes that performance auditing as it is introduced in the Netherlands is not only an example of a questionable practice, but also of a questionable concept.

1 Introduction

The use of performance auditing is widespread across the public sector in many countries. It is a form of auditing that focuses on the performance of an organisation, its projects or programmes, and the systems/procedures it uses to control this performance (Everett, 2003, p. 95; Lindeberg, 2007; Mussari, 1995; Power, 1994b; Power, 2003). Performance auditing is often regarded as a means of improving an organisation's efficiency and effectiveness (Pollitt, 2003, p. 163), but its relationships with accountability and democracy are also discussed in the literature. Some authors indicate that performance audit reports might improve the quality of democratic processes. For instance, based on case research into a performance audit conducted by the British National Audit Office, Roberts and Pollitt (1994, p. 546) suggest that audit reports can enable (relatively under-informed) elected politicians to discuss issues on more equal terms with members of the Executive Committee (who have more information and are backed by bureaucratic experts), as well as to monitor their activities and to hold them accountable.

However, more recently, several writers have suggested that the link between performance auditing and democratic processes is more complicated; see Everett (2003), Pallot (2003) and also Glynn (1996). These writers argue that performance auditing provides elected politicians and citizens with accountability information that they find difficult to understand and that is probably of little interest to them. In their view, this could mean that the introduction of performance auditing leads to a situation in which the Executive Committee is no longer held accountable for some of the organisation's programmes or activities, and that the balance of power between the Executive and the elected body changes in favour of the Executive. The authors who criticise performance auditing for these reasons are, however, mainly concerned with performance auditing practices that lead to a particular type of accountability information; namely, information about the efficiency of an organisation's programmes or activities, and their effectiveness in terms of outputs. Since, as will be argued in this paper, performance auditing can also be used to produce other types of accountability information, it is relevant to investigate the effects on democratic processes of practices that lead to a broader range of information. Examples of such practices are the performance audits carried out in the Dutch local government sector.

In 2006, the central government in the Netherlands imposed a legal obligation on Dutch municipalities requiring them to establish audit committees. At that time, some – mostly larger – municipalities already had such a committee set up on a voluntary basis, but the other municipalities had to establish one. According to central government, these audit committees were expected to investigate 'the efficiency and effectiveness of the local government organisation, of its financial management, and of the policies that it has implemented' (Tweede Kamer der Staten Gen-

eraal¹, 2001-2002, 27 751, No. 3, p. 70). However, in practice their activities vary to a large extent, leading to various types of accountability information. The topics that have frequently been subject to audit are policies on subsidies, the use of external advisors and consultants, and the budgeting process (Brandsen et al., 2007, pp. 25-26). The audit committees' reports are formally presented to the municipal council, and are also available to the general public.

In a supporting document, the Dutch central government explained that its plans to prescribe local government audit committees were founded, not only on a desire to increase local government organisations' efficiency and effectiveness, but also on the expectation that these committees would have certain societal effects (Tweede Kamer der Staten Generaal, 2001-2002, 27 751, No. 3, pp. 19-21, 45-46, 66). More particularly, central government was concerned about the declining trust in politicians and citizens' lack of interest in local political processes, which had resulted in sharply falling turnout rates in local elections. Together with other changes in the governance of local government organisations, the audit committees were intended to reverse this trend. In other words, an important reason that central government gave for its decision to prescribe the establishment of local government audit committees was a wish to improve local democracy.

The objective of improving democracy is very ambitious, if we interpret it as increasing the active participation of citizens in political processes. That is, it is unlikely that the establishment of audit committees per se will have a noticeable impact on, for example, citizens' willingness to show up at elections or to become a member of a political party. Nevertheless, such committees could improve citizens' attitudes towards governmental organisations. In particular, the introduction of an audit committee increases an organisation's level of openness and transparency, which may in turn have a direct impact on citizens' support for the organisation. In addition, the increased level of openness and transparency may have an indirect impact on citizens' support, because it can stimulate a more lively debate between the parties involved in political processes. In other words, audit committees could strengthen certain accountability relationships, both within governmental organisations and between those organisations and their external stakeholders, and hence improve the quality of democratic processes.

So far, it is unclear what direct and indirect effects the introduction of the local government audit committees has had on accountability relationships and democratic processes in the Netherlands. This paper aims to improve our understanding of this area based on case research in two municipalities. Given the broad range of accountability information produced by the audit committees in these municipalities, the results from our case studies are relevant, not only for Dutch public sector practitioners, but also for a wider audience. To provide the reader with some understanding of the context of the local government audit committees in the Netherlands, section 2

¹ The "Tweede Kamer der Staten Generaal" is the parliament at the Dutch central government level. The reference "Tweede Kamer der Staten Generaal, 2001-2002, 27 751, No. 3" refers to a document in which the Minister of Interior and Kingdom Relations gives an explanation to the parliament for the proposed changes in the Local Government Act.

describes the circumstances that led to the requirement for Dutch municipalities to establish such committees. Subsequently, section 3 discusses public sector auditing in general, and the effects it can have on accountability relationships and democratic processes in particular. In addition, it introduces four types of accountability information, and it specifies our research question. Section 4 describes the design of the case studies, and section 5 analyses the cases. Section 6 discusses our findings and draws some conclusions.

2 Context of establishment of local government audit committees in the Netherlands

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

Basically, the change in the governance of the local government organisations involved a transition from a monistic to a dualistic model of governance. This transition was formalized in 2002, but in practice the changes had started earlier, and have been taking place quite gradually (Tweede Kamer der Staten Generaal, 2001, p. 2). In a monistic model, the positions of the municipal council and the Executive Committee (i.e. the mayor and the aldermen) are interwoven. In the Netherlands, the municipal council – which is comprised of elected politicians, and which is the highest authority in a municipality – was formally responsible for boundary setting², policy making, and monitoring the implementation of its policy decisions (Tweede Kamer der Staten Generaal, 2001, pp. 2-6). However, indirectly, it also had a role in implementing policies, because

² The boundary setting role implies that the council sets the boundaries of the framework within which policies are to be established.

– except for the mayor – the members of the Executive³, who had to implement the decisions of the council, were also members of the council.

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

A basic feature of a dualistic model is that the distinction between the responsibilities of the municipal council and the Executive Committee are made more explicit. Since the implementation of this model in the Netherlands, the Executive has been responsible for policy making and implementation, whereas the responsibility for boundary setting and monitoring the activities of the Executive rests with the council (Tweede Kamer der Staten Generaal, 2001, pp. 2-6). Central government said that the ultimate objective of introducing a dualistic model of governance was to make the council more independent of the Executive and to enable it to become the interface between the citizens and the Executive (Tweede Kamer der Staten Generaal, 2001, pp. 23-24). In other words, the municipal council should define the public interest and translate it into boundaries for making policies, and monitor the policy-making and implementation activities of the Executive. In fulfilling these roles, the council should be accountable to the citizens.

Central government took the view that local government audit committees – which can investigate a wide range of topics within local government organisations – would fulfil an important role in this new setting. More particularly, the document in which the Minister explained the proposed changes in the Local Government Act, mentions the following objectives of establishing audit committees: strengthening the monitoring role of the municipal council, responding to the increased public concern over the efficiency and effectiveness of governmental organisations, improving the evaluation of the legality and efficiency of local government activities, and increasing the local government organisations' accountability to the public (Tweede Kamer der Staten Generaal, 2001-2002, 27 751, No. 3, p. 66). In the document, the Minister also argues that if the

³ The members of the Executive were elected from amongst the members of the municipal council, but they also remained members of the council. The mayor was an exception, because – being appointed by the Crown – he or she was (and still is) coming from outside the local government organisation.

municipal council is better able to monitor the Executive Committee, this will provide parliamentary parties with more opportunities to stress differences in their political views, and this will hopefully lead to an increase in citizens' interest in local political processes (Tweede Kamer der Staten Generaal, 2001-2002, 27 751, No. 3, pp. 29-30).

3 Performance auditing, accountability and democracy

As we saw in section 2, the Dutch central government, when it required the establishment of local government audit committees, partly aimed at attaining changes that can be summarised as improvements in local democracy. Today, in the Netherlands – and probably several other Western countries – politicians are concerned about the quality of democratic processes, because citizens are often critical of government and politics, and their wish to be involved in political processes seems to have been decreasing steadily (Chesterman, 2001, p. 115; cf. Wilson, 1989, p. 335). However, at the same time, citizens – who are generally well-educated – want a greater say in policy matters in which they take (or have) an interest (ter Bogt, 2008, p. 40; Hendriks and Tops, 1991, p. 138). In such a setting in which improvements in democracy are desired by both government and citizens, performance auditing could play a role.

Several authors have investigated the relationship between performance auditing and democracy at various levels of government. They argue that performance auditing contributes to the quality of democratic processes that is perceived by citizens, because governmental organisations can use it for accountability purposes. That is, organisations can use audit report to be more open about, and to account for, their activities and results (see, for example, Lonsdale, 2000, p. 74; Meijer, 2003, p. 68; Pallot, 2003, pp. 142-143, 149; Hodge and Coghill, 2007, pp. 675-679). In this way, performance auditing can increase citizens' confidence in these organisations, and maybe also enhance their interest in political processes as well as their willingness to become involved in such processes. In addition, audit reports can help to strengthen the position of the elected body and its individual members – who are the citizens' elected representatives – vis-à-vis the Executive, because these reports provide them with additional information (cf. Schmitter, 2004, pp. 48-49, 52). Each of these changes can be interpreted as an improvement in the quality of democratic processes.

However, meanwhile some of these and other authors argue that, instead of enhancing accountability and democracy, performance auditing could also damage accountability relationships and reduce the quality of democratic processes. Pallot (2003, pp. 141-143, 146), for example, observes that information from performance audits may include detailed, usually quantitative, overviews of inputs and outputs. She argues that although such overviews may be an important instrument for controlling contractual relationships between the Executive and lower levels within the governmental organisation, they may lead to information overload for elected politicians. In addition, she expects that politicians – as well as the public at large – are usually more concerned with outcomes than with inputs and outputs. The literature gives several examples of problems

which have occurred because, as a result of the introduction of performance auditing, other types of accountability information have been largely displaced by information that focuses attention on inputs and outputs (e.g. Everett, 2003; Pallot, 2003; see also O'Dwyer and Unerman, 2008). Some writers, including Everett (2003, p. 86) and Pallot (2003, pp. 141-143), suggest that under such circumstances, accountability mechanisms might no longer serve the interests of elected bodies and democratic processes. These writers argue that both elected politicians and citizens receive accountability information that probably is of little interest to them, and this can mean that certain topics are no longer fully discussed, and that the Executive Committee is no longer held accountable for all the outcomes of the organisation's activities.

Nevertheless, it should be noted that the authors who claim that performance auditing can have adverse effects on the quality of democratic processes, base their criticism on auditing practices that lead to a particular type of accountability information. However, in the public sector, performance auditing can also provide other types of information (see, for example, Everett, 2003, p. 81; Shand and Anand, 1996, pp. 60-61). Based on a closer look at the complex nature of both *performance* and *accountability* in the public sector, below we will distinguish four types of accountability information that can result from performance auditing.

Public sector *performance* is complex in the sense that a comprehensive view of an organisation's performance includes not only measures of efficiency and effectiveness, but involves also non-economic issues such as equity, responsiveness, impartiality, social justice, legality and legitimacy (Everett, 2003, p. 78; Pallot, 2003, p. 135; Wilson, 1989, pp 315-316, 326). The distinction between these two performance areas is relevant, because in both areas different types of performance standards – which are the starting point for audits – are used. More specifically, whereas in the area of efficiency and effectiveness standards are often defined in terms of (quantitative) input, output and outcome indicators, standards in the area of, for instance, equity and responsiveness are mostly set in terms of formal procedures and informal rules. This gives us two categories of accountability information, each with its own focus. We refer to these categories as information with either a focus on the achievement of intended results or on compliance with rules and procedures (cf. Everett, 2003, p. 81; Romzek, 2000, pp. 35-36; Shand and Anand, 1996, p. 60). Information that focuses on achievements is concerned with the effects of particular actions; for example, in terms of efficiency or effectiveness. Information that focuses on compliance is concerned with the question of whether the organisation followed specific rules and procedures that are intended to enhance, for instance, equity and responsiveness. Making a distinction between these two categories of accountability information is also consistent with Pollitt's (2003, pp. 160-161) observation that, although performance auditing is sometimes regarded as a technique aimed at improving the organisation's efficiency and effectiveness, in practice it often involves also another performance area, covering some notion of 'good management practice' or 'good administration'.

Besides public sector performance, also public sector *accountability* is complex in nature. This is due to the two types of mandates that are delegated down the hierarchy of principals and agents that ranges from the voting citizens and the elected body that represents them, to the Executive Committee and the organisation’s managers. These mandates comprise the authority to make policy choices on behalf of electors, as well as the responsibility to carry out delegated tasks according to agreed performance standards (Broadbent and Laughlin, 2003, p. 24; Day and Klein, 1987, pp. 26-27). An audit committee could investigate the way in which either type of mandate has been carried out. This – again – gives us two categories of accountability information, each with its own scope. We refer to these categories as information with either a political or a managerial scope. Information with a political scope is concerned with the policy choices that have been made. In the words of Everett (2003, p. 81), it is aimed at helping parties to get involved in decisions about ‘what should be done’. Information with a managerial scope is concerned with the extent to which delegated tasks have been carried out according to agreed performance standards. According to Everett (2003, p. 81), it aims at ensuring that ‘what is being done is being done right’.

To summarise, we distinguish two aspects of accountability information; focus and scope. Combining these two aspects leads to the four types of accountability information summarised in table 1. To illustrate these types, table 1 includes examples of accountability information that could be produced in a municipality that has developed and implemented a policy aimed at reducing the number of overweight children through subsidies for sporting events. The type of accountability information that was considered by writers such as Everett (2003) and Pallot (2003) can now be labelled as type D information (i.e. information with a managerial scope and a focus on the achievement of intended results).

Table 1 Overview and illustrations of types of accountability information.

Dimensions of accountability information		Scope	
		Political: ‘what should be done?’	Managerial: ‘what is being done is being done right?’
Focus	Compliance with rules/procedures	(A) e.g. compliance with municipal rules and procedures for participation of citizens in policy-making processes	(B) e.g. compliance with municipal procedures for providing subsidies
	Achievement of intended results	(C) e.g. achievement of the objective that a certain percentage of the children have the desirable weight	(D) e.g. achievement of the objective that a certain number of sporting events will be subsidised

The above discussion raises the question of whether accountability information that is not restricted to type D information can add to the quality of democratic processes. The argumentation used by authors as Lonsdale (2000), Meijer (2003) and Schmitter (2004) suggests that it can. However, this argumentation is rather superficial, in the sense that it gives limited attention to the

precise effects of performance auditing on citizens and elected politicians. Moreover, although this argumentation suggests that the introduction of performance auditing can be expected to have positive effects on the quality of democratic processes, it is unclear whether there can also be negative effects. This leads to the following research question: what are the nature and the scale of the effects of providing a broad set of accountability information through performance auditing on: (1) the elected body's position vis-à-vis the Executive; and (2) citizens' perceptions of government? In the remainder of this paper, we try to answer this question based on case research in two Dutch municipalities which have audit committees that in recent years have produced various types of accountability information. Unfortunately, it was not possible to investigate the effects of those types of information separately, as the individual reports mostly comprised different types of accountability information.

4 Research method

We conducted case study research in the municipalities of Groningen and Leeuwarden. In 2008, the numbers of inhabitants in these two municipalities were, respectively, around 182,000 and 93,000. As such, they belong to the group of the larger Dutch municipalities. Both municipalities have an audit committee. However, the background to the establishment and functioning of their committees differs in a number of respects. For example, in contrast to Leeuwarden, the audit committee in Groningen was introduced voluntarily, prior to the legal requirements. Furthermore, while the committee in Leeuwarden is comprised of external members, the committee in Groningen includes also members of the municipal council. Finally, compared to Leeuwarden, the committee in Groningen presents its reports to a council that for many years has been more independent of, and more critical towards, the Executive Committee. These differences in background will be discussed in more detail in section 5.1. For now it is important to note that comparing two audit committees with different backgrounds gives us the opportunity to investigate the extent to which the answer to our research question depends on contextual factors.

The data for the case studies were collected between January and October 2008, and the most important data were interviews. In total, ten and eight persons were interviewed in Groningen and Leeuwarden, respectively. Table 2 gives an overview of the interviews. The interviews followed a standard set of questions, but they proceeded in a less structured manner when interesting topics came up. Important issues during the interviews were: the topics that have been investigated by the audit committee and the reasons for selecting these topics; characteristics of the audit processes; the politicians', civil servants' and public's interest in and satisfaction with the audit reports and – more generally – the work of the audit committee; and the effects of the audit committee on accountability relationships and democratic processes. With the respondents' permission all interviews were recorded. On the basis of our written notes and audio recordings, the conversations were extensively summarised in interview reports. These reports were sent to the interviewees for approval. Almost all interviewees used this opportunity to suggest minor

changes to the interview reports and to make additional remarks. Their contributions were used to complete the final interview reports.

Table 2 Overview of interviews.

Organisation	Position	Length (in hours)
Groningen	▪ Member of auditing committee	0:55
	▪ Research assistant of audit committee	2:20
	▪ Member of municipal council / member of audit committee	1:15
	▪ Member of municipal council	1:40
	▪ Member of municipal council	1:30
	▪ Member of Executive Committee	0:55
	▪ Acting city manager / acting managing director of ??? department (Bestuursdienst)	1:10
	▪ Department manager	1:20
	▪ Ad interim department manager and senior project controller (double interview)	0:55
Leeuwarden	▪ Chairperson of audit committee	1:05
	▪ Research assistant of audit committee	1:45
	▪ Member of municipal council	1:35
	▪ Member of municipal council	1:15
	▪ Member of Executive Committee	1:10
	▪ City manager	1:05
	▪ Acting department manager / sector manager and department controller (double interview)	1:00

Additionally, data obtained from documents were used to prepare ourselves for the interviews, and – in a later stage – to complete and verify the data collected from those interviews. For both municipalities, these documents include the by-law regarding the audit committee, the audit reports that were most often mentioned by our interviewees, the Executive’s formal reaction to these reports, and the minutes of the meetings in which the council (or one of its committees) discussed the reports.

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

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

In addition, we marked all phrases in the interview reports where councillors, members of the Executive and managers express either positive or negative opinions about the work of the audit

committee. Subsequently, we labelled these phrases – using labels such as ‘selection of topics for investigation’, ‘asking for and use of comments on draft reports’ and ‘contents of reports’ – and we then prepared an overview of the interviewees’ opinions about particular aspects of the work of the audit committee. In a similar manner, we prepared an overview of the interviewees’ opinions about the quality of the council’s work in their municipality.

After the data from the interviews and documents had been analysed, we conducted a survey among all councillors in both municipalities to examine to what extent our preliminary results were confirmed by other respondents. Our questionnaire comprised, apart from a few questions about the background of the respondent, 47 statements. These statements were classified into six broad categories: 1) implications of the audit committee’s work for councillors; 2) contents and quality of the audit reports; 3) effects of the audit committee’s work on, for example, the municipal organisation; 4) preferences regarding the composition of the audit committee and the organisation of its work; 5) role and function of the audit committee; and 6) issues related to the work of the council. We asked the respondents to indicate on a 7-points scale the extent to which they disagreed or agreed with each of the statements. The usable response rates in Groningen and Leeuwarden were 51% and 49%, respectively. The answers to the questionnaire were used as a supplement to the results from the interviews and documents.

5 Results

This section starts with some background information about the audit committees in Groningen and Leeuwarden. Next, it describes the effects of the work of these two committees on accountability relationships and democratic processes in both municipalities. Finally, we analyse these effects, by seeking explanations for the nature and scale of these effects, as well as for the similarities and differences that exist between the two municipalities.

5.1 Background information

Between January 2006 and the summer of 2008, the audit committees in Groningen and Leeuwarden published four and eight reports, respectively. Formally, according to their municipal by-laws, these reports should be concerned with the efficiency and effectiveness of the municipality’s policies and management, and the legality of its expenditures (Groningen) or of its actions (Leeuwarden). These descriptions suggest that both committees are allowed to adopt a political as well as a managerial scope (cf. ‘policies’ and ‘management’), and a focus on rules and procedures as well as on achievements (cf. ‘legality’ and ‘efficiency and effectiveness’). In practice, as can be seen from the audit reports published in recent years, the committees also make use of the options they have to produce different types of accountability information. Table 3 gives examples of issues that have been investigated in each municipality. It shows that in both municipalities different types of information have been produced.

Table 3 Examples of issues that have been investigated in Groningen and Leeuwarden.

Dimensions of accountability information		Scope	
		Political	Managerial
Focus	Compliance	(A) <i>Groningen:</i> Whether the information received from the Executive had enabled the council to get involved in political choices concerning a particular construction project (report a) ⁴ .	(B) <i>Groningen:</i> Whether the Executive had asked the council to give its permission for purchasing a particular building, and whether it had been required to attain this permission (report a). <i>Leeuwarden:</i> Whether the correct course had been followed by the municipal organisation when during the purchasing process of wood it appeared that wood with a Forest Stewardship Council certification was not available (report b).
	Achievements	(C) <i>Leeuwarden:</i> Whether the development of new residential areas had contributed to the municipality's objective of increasing the average level of income of citizens (report c).	(D) <i>Groningen:</i> Whether there were valid explanations for the large financial deficits of the department for social job creation (report d). <i>Leeuwarden:</i> Whether the municipality had attained the targets – for example, for the size of the areas that are available for locating businesses – that were set to achieve the municipality's overall objective of being an attractive location for businesses (report e).

Audit reports: a) Onderzoek naar het bouwproject CiBoGa: Informatievoorziening en doorwerking op taakuitoefening door de gemeenteraad (Investigation of Construction Project CiBoGa: Information Provided to the Council and the Effects hereof on the Council's Task Fulfillment), January 2006; b) Onderzoek naar het gebruik van fout hout (Investigation into the Use of Non-sustainable Wood), May 2007; c) Rapportage 'Effectmeting gemeentelijk woonbeleid' (Report 'Measuring the Effects of the Municipal Housing Policy'), October 2007; d) Onderzoek DSW Stadspark (Investigation of DSW Stadspark), May 2007; e) Toegevoegde waarde: Rekenkameronderzoek naar het ondernemingsklimaat van de gemeente Leeuwarden (Value Added: An Audit of the Business Climate of the Municipality of Leeuwarden), May 2008.

Although the audit committees of Groningen and Leeuwarden are quite similar in the sense that they have both produced various types of accountability information, their background differs in

⁴ I.e. the extent to which political choices have been made in compliance with article 169 of the Local Government Act, which states that the Executive should provide the council with all the information it needs to fulfil its roles.

a number of respects, as was already noted in section 4. One difference pertains to the position of the council vis-à-vis the Executive. In particular, the municipal council in Groningen – compared to the council in Leeuwarden – has for many years been more willing to take a position more critical towards, and more independent of, the Executive Committee. A councillor in Groningen, who has been a member of the municipal council for many years, observed that for a long time – including before the introduction of the dualistic model – the council in Groningen has had pointed debates with the Executive on topics about which they disagree. This relatively independent position of the council in Groningen can be explained by the presence of opposition parties which are putting much effort in stressing their distinctive features. Besides, Groningen has been striving to create an ambitious, more businesslike administrative style in the local government organisation since the 1980s. Moreover, traditionally the administrative climate seems to be rather ‘politicised’ here, with quite a few relatively strong aldermen and councillors. In general, it seems that the council in Leeuwarden has been much more acquiescent.

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

In Leeuwarden, the audit committee was established at the end of 2005, shortly before it was required by central government. According to several interviewees, the central government’s requirement was the main reason for introducing the audit committee. Some of them actually doubt whether Leeuwarden would have had an audit committee, if it had not been required. Since its start, the committee in Leeuwarden has been composed of four or five external members. The council and Executive consciously decided not to include councillors on the audit committee. Various interviewees argued that including councillors would inevitably have led to problems, because councillors would have ended up in situations in which they – as a member of the audit committee – criticised certain policies that they approved in their role as councillor. They

said that it would have created serious conflicts between the council and the Executive, if some councillors – possibly including those of coalition parties – had withdrawn their support for certain actions of the Executive.

Due to these differences in background, it could be expected that the audit committee in Groningen has had more impact on local democratic processes than the committee in Leeuwarden. The reasons for this are threefold. First, the voluntary introduction of an audit committee suggests that the council in Groningen attaches more importance to having an audit committee. Second, since some councillors in Groningen are also members of the audit committee, the council is closer involved in the work of the audit committee, which could lead to a better fit between the contents of audit reports and the information needs of councillors. Finally, because of its stronger position, the council in Groningen is possibly more willing to use the audit reports to further strengthen its position.

Sections 5.2 and 5.3 describe the effects of performance auditing in the two municipalities. These sections focus on, respectively, the accountability relationship between the municipal council (or – more generally – the local governmental organisation) and the citizens that it represents, and the relationship between the municipal organisation and the council. It will turn out that the impact of the two audit committees on democratic processes is limited, and that – despite the difference in background – the differences between them are only small. In section 5.4, we try to find an explanation for these outcomes.

5.2 *Effects of performance auditing on the public*

Section 3 discussed the work of authors such as Lonsdale (2000), Meijer (2003), and Pallot (2003), who argued that performance auditing can improve governmental organisations' accountability to the public, because it leads to reports which can be used by the public to assess organisations' activities and results. In Groningen and Leeuwarden, the audit reports are available to the public through the committee's website. In addition, in both cases, the committee informs the public about its reports through press releases each time a report is published, and sometimes through press conferences. However, despite these efforts, the effects of the audit committee on citizens' confidence, interest and involvement in their local government organisation seem to be small in both municipalities. As one of the aldermen phrased it:

“In my view, the work of the audit committee does not have any influence on citizens worth mentioning; I believe this influence is about nil. At least, so far I have never noticed that there was much interest in it among citizens, and it certainly did not, for example, increase citizens' interests in local politics.”

Councillors and members of the audit committees themselves are also very sceptical about the effect of the committees' activities on citizens' interest in local politics. The research assistant of one of our audit committees explains the lack of interest of citizens as follows:

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

According to many of the interviewees, most citizens are probably not even aware of the existence of an audit committee in their municipality. Moreover, as one of the interviewees observes, even if changes in citizens’ support for their local government occur, these changes will take place very slowly, and apart from the audit reports, various other circumstances and events may have an influence, which makes it difficult to ascribe changes in citizen support to the work of the audit committee.

In spite of citizens’ lack of interest in and knowledge of their local government audit committee, the publication of some audit reports in Groningen and Leeuwarden, and the subsequent discussion of those reports by the municipal council, may have evoked considerable interest of citizens, because these reports received considerable media attention. Some interviewees indicate that the media – and especially the local and regional press – play an important role in stimulating citizens’ interests. Only if the media gives sufficient attention to a particular report, citizens will become aware of it. The attention the media give to a report can also influence citizens’ attitude towards their local government organisation, either positively or negatively. In practice, however, the media in both Groningen and Leeuwarden seem to be interested only where the audit reports suggest a ‘scandal’ or serious problems within the local government organisation. Such interest can lead to political turbulence when, for example, the position of one or more aldermen is at stake. Given this focus on ‘negative’ issues, it is unlikely that the publicity which has resulted from the publication of audit reports has increased citizens’ confidence in governmental organisations. This is confirmed by a councillor:

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

The audit committees in Groningen and Leeuwarden not only want to inform the public, they also try to involve citizens in their work. Each year, they use local newspapers to ask for suggestions for new investigations. However, although both committees have received a small number

of such suggestions, so far only one suggestion (in Leeuwarden) has led to an investigation. In both cases, interviewees point out that the annual requests to the public seldom lead to good suggestions. In their view, citizens generally suggest investigations into issues that bother them personally, but – as several interviewees indicate – it is quite difficult to translate such issues into topics that could be of interest to a broader audience, including the municipal council.

Altogether, our findings suggest that it is unlikely that the work of the audit committees in Groningen and Leeuwarden has led to significant increases in citizens' interest and confidence in local politics and local government organisations. However, although we did not find much evidence of a direct effect of these audit committees on citizens, we recognise that performance auditing could influence the quality of democratic processes in a more indirect way. That is, citizens could become more interested in and more confident about governmental organisations if they have the impression that their elected representatives are better able to fulfil their roles. When the Dutch central government took the initiative to prescribe local government audit committees, it argued that giving the municipal council a stronger position vis-à-vis the Executive Committee should contribute to more lively political debates, and thus could evoke citizens' interest and involvement in local politics. Although several interviewees are critical about such indirect effects, one of the research assistants thinks that audit committees might play a role:

“I am convinced that in the past few years we have truly contributed to strengthening the more independent position of the council. In that area, a certain effect has certainly been achieved. I am sceptical, though, about the effect we have had on citizens. Maybe in the longer run we'll be able to achieve a positive effect, if the work of the audit committee contributes visibly to a better functioning of government.”

Members of the audit committees in both municipalities also stress that, although they certainly want to contribute to the citizens' support for their local government organisation, their main objective is to help the council to strengthen its position. The extent to which the audit committees in Groningen and Leeuwarden have succeeded in achieving this objective will be discussed in the next section.

5.3 *Effects of performance auditing on the council*

Using insights derived from Schmitter (2004), section 3 argued that performance auditing can help to strengthen the position of the elected body and its individual members, because it improves the accountability relationship between the Executive Committee and the elected body. That is, audit reports provide councillors with information which can help them in their discussions with the Executive, and thereby enhance their monitoring role. In Groningen and Leeuwarden, the process of publishing and discussing audit reports is as follows. Often, the first step is to send a copy of an audit report to the Executive. This will give them an opportunity to write a formal reaction on the report. Then, councillors receive the audit report together with the formal reaction of the Executive and a response to that reaction from the audit committee. Sometimes, the audit committee makes a formal presentation to the council, and on some occasions it

holds a press conference to bring the report to the attention of the public at large. As a final step, the report is discussed in a formal meeting of the council or one of its committees, which is also attended by the Executive.

Our interviewees have mixed opinions about the effects of the audit reports on the position of the council. Many interviewees agree that, in general, councillors are interested in the contents of audit reports and that the reports are seriously discussed in a council meeting. At the same time, some interviewees indicate that councillors are only interested in the reports for a short period of time, as many other issues require their attention. One councillor expresses this as follows:

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

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

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

According to one councillor, who is dissatisfied with the discussions in the council, the timing of audit reports is frequently problematic. In his view, the audit committee starts an investigation when the subject is of topical interest. However, when the report is published, which can be several months later, the political interest has often moved on. Another reason, according to this councillor, is that the council’s interest in financial affairs – which is an important aspect of many audit reports – is often limited. A third reason concerns the pragmatic attitude of some parties in the council. He argues that these parties are focused more on what – in a practical sense – went wrong, rather than on taking a political position on what should be achieved and what should be done. In addition, several interviewees indicate that if audit reports are based on weak research methods and/or inaccurate data, the discussion focuses on these issues. In those situations, the *contents* of the reports, including the valuable points made by the audit committee, receive little attention.

Interviewees in both municipalities cast doubt on the effectiveness of the council’s discussions of the audit reports. They argue that the council has only a limited role, because the audit

committee first asks the Executive to react to a report. In this written formal reaction – which the councillors receive together with the report itself – the Executive Committee often says that it will adopt many of the audit committee’s recommendations. According to several interviewees, this leaves little room for the council. Two of our interviewees – a councillor and a research assistant – argue that the Executive should not be given the opportunity to react to an audit report before its publication, as this dampens discussions in the council. Another councillor rejects this idea, because – in his view – omitting the formal reactions of the Executive would lead to situations in which the discussion focuses too much on whether certain ‘facts’ in the report are correct or not, and on recommendations that would be accepted anyway. A research assistant suggests that, also in the current situation, in which the council receives audit reports together with the written formal reaction of the Executive, the council could assume a more active role. He argues that, instead of awaiting the Executive’s proposals for changes, the council should take the initiative.

Overall, our interviewees are sceptical about the effects that the work of the audit committee has had on the position of the council in their municipality. They have the impression that the audit reports may have strengthened the position of the council, but only to a very limited extent. The following comment from a city manager summarises the main issues raised by the interviewees:

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

In other words, there seems to be a belief that the work of the audit committees in Groningen and Leeuwarden improves the position of the council vis-à-vis the Executive because it sometimes encourages or even forces the Executive to make specific promises. Furthermore, although many interviewees raise doubts about the extent to which the council monitors the follow-up of such promises by the Executive, members of the Executive, city managers and department managers, all stress that they ensure that these promises are met, otherwise serious political problems would arise between the council and the Executive.

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

refer the topic to the audit committee if the Executive does not provide certain information, or because the Executive commits itself – in response to an audit report – to provide certain information. Be it perhaps gradual, such side effects can contribute to a strengthening of the council's position.

Nevertheless, the changes in the positions of the councils in Groningen and Leeuwarden, since the establishment of an audit committee in these municipalities, are generally considered to be quite small. As a result, compared to the Executive, the council still has a relatively weak position. In the words of a member of an audit committee:

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

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

5.4 Analysis of effects

Our findings in sections 5.2 and 5.3 indicate that in Groningen and Leeuwarden the effects of the audit committees on the local democratic processes have been quite limited. Moreover, these findings also suggest that there are only minor differences between these audit committees in the nature and size of these effects, which was somewhat unexpected given the different backgrounds of these committees, which were discussed in section 5.1. In the current section, we explore the explanations for these findings.

As a first step, we will reiterate some of the explanations for the limited effects of the audit committees hinted at in section 5.2 and 5.3. First of all, it appeared that both committees produce only a limited number of reports each year, which means that the reports cover only a very small number of the subjects discussed in the municipality each year. As a result, the audit reports do not form a significant part of councillors' work and they do not have a strong impact on citizens' perceptions of their local government organisation. In addition, the reports may be of limited interest to councillors and citizens, not only because they discuss subjects that are often not of current topical interest, but also because many reports discuss quite abstract and often financial issues. Finally, the extent to which citizens – and to some extent maybe also councillors – become interested in reports is dictated largely by the media, which focuses attention on the more 'negative' outcomes.

However, the limited impact of the audit committees in Groningen and Leeuwarden could also be related to the attitudes of the members of the Executive and of the municipal employees

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

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

More specifically, managers and members of the Executive criticise the audit committee in their municipality for its disinclination to amend audit reports to reflect their comments, and for its reluctance to give them sight of and the opportunity to respond to its conclusions and recommendations *before* the reports are finalised. They are particularly concerned about their inability to influence the outcomes of investigations, as they have serious doubts about the quality of the audit reports. For instance, a member of the Executive takes the view that most of the audit reports he has seen, lack concreteness and sharpness, and are based on research questions that are not sufficiently clear and research methods that are rather weak. Moreover, he suggests that in several investigations that were carried-out on behalf of the audit committee, the researchers lacked specific knowledge of the area under investigation. Managers and members of the Executive are worried about the quality of audit reports, because, in their view, once reports – possibly with factual errors and conclusions that ignore ‘important’ contextual information – are made public, they lead a life of their own. According to these interviewees, the Executive has very little influence over how a report is used by others, including the council and the press.

Our interviewees suggest that sometimes it can be difficult to predict and to control the direction of the debates in the council and of the commitments that are subsequently required of the Executive. This appears to be more of an issue in Groningen than in Leeuwarden; which is possibly because of the differences – as described in section 5.1 – in the positions of the councils. It seems that the more independent position of the council in Groningen characterises its discussion of audit reports: sometimes there are pointed discussions between the council and the Executive, especially about recommendations from the audit committee which are rejected by the Executive. Nevertheless, the Executive tries to avoid this type of discussions as much as possible. A councillor in Groningen suggests that the Executive uses its written formal reaction to audit reports to ‘control’ the effects of those reports:

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

All the interviewees in Groningen who have been involved in the process of formulating formal reactions of the Executive confirm this approach. They say that the Executive not only wants to avoid discussions with the audit committee, but also that it wants to influence the discussion in the council. One of them puts this as follows:

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

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

It also seems that managers and members of the Executive want the audit committee to produce reports that can help them in their own work. They regard many reports as being irrelevant, because – in their view – these reports cover topics that have been investigated before, and do not provide new insights. However, it is doubtful that the type of audit reports produced by the Dutch local government audit committees will be helpful to managers. In particular, the researchers of, or called in by, the audit committees in Groningen and Leeuwarden are selected more for their general research experience than for their knowledge of particular policy fields. Moreover, the audit committees’ yearly budgets – in 2007, €84,000 in Groningen and around €167,500 in Leeuwarden – are probably far too small to carry-out in-depth research into the performance of the major tasks or parts of the organisation. Furthermore, it is also questionable whether the limited usefulness of audit reports for managers is really problematic, as the inten-

tion of those reports is not primarily to help managers, but to help the council. In general, compared to managers and members of the Executive, councillors in Groningen and Leeuwarden have a much more neutral opinion about the work of the audit committee. More precisely, although they make various critical comments, especially about the selection of topics and sometimes about the quality of the reports, they also express their appreciation for the audit committee in general and some of its reports in particular.

6 Conclusions and discussion

Based on our empirical research, it can be concluded that the introduction of performance auditing at the local government level probably has not had a strong direct effect on Dutch citizens' interest and involvement in local political processes and their confidence in local government organisations. Moreover, if there has been any effect, a decline of citizens' support for local government is more likely than an improvement. Furthermore, it is doubtful whether the indirect effects of performance auditing on citizens in the Netherlands have been substantial. This paper characterized these indirect effects as effects that arise because performance auditing strengthens the position of the elected body and stimulates the political debate. We did find some evidence of improvements in this area; for example, because audits lead to commitments on the part of the Executive, and audit reports give councillors background information about and insight into particular areas. However, the overall findings from our case studies suggest that such improvements have had only a limited impact on the position of the council vis-à-vis the Executive.

These conclusions are probably disappointing for those who had expected that performance auditing could be used to improve accountability relationships and the quality of democratic processes. However, they also raise the question of what explains the lack of success of local government auditing committees as an instrument to enhance accountability and democracy in the Netherlands. More particularly, is performance auditing as it is introduced in the Dutch local government sector an example of a questionable practice or of a questionable concept?

The issues discussed in this paper suggest that some of the weaknesses of local government auditing committees in the Netherlands can be resolved, to some extent at least. These weaknesses are mainly of a practical nature. For instance, it should be remarked that audit committees have a relatively short history. In the longer run, as members of these committees become more experienced, they may develop ways to prevent or tackle particular problems. At the same time, as persons within the municipal organisation become more familiar with the existence of an audit committee, their acceptance of – and maybe also their appreciation for – audit committees and their role in democratic processes may increase. Moreover, as time passes and the number of published reports increases, audit committees may also become more visible to citizens and – in turn – have more impact on them. Furthermore, similar to weaknesses due to a lack of experience, problems related to the committees' annual budgets could be resolved relatively easily. We observed that the role that audit committees can play is constrained by the size of their budgets.

So if their budgets increased, they will probably be able to produce more reports each year. In addition, a larger budget could enable them to improve the quality of their reports, either by investigating issues more thoroughly or by hiring experts in the policy field under investigation. With increases in the number of audit reports, and in their quality, they may become a more significant element of councillors' work, and they may have a stronger impact on citizens' opinions and attitudes.

In contrast, although also of practical nature, two other weaknesses are probably more difficult to solve. These concern the time required for audits, and the role of the media. It appeared that there is usually a substantial time lag between when a subject is of topical interest and when an audit report about this subject is published. However, even if improvements in the planning of audits could reduce this time lag to some extent, this cannot prevent situations in which reports are published about subjects for which – according to the persons involved – the discussion has already been closed. With respect to the role of the media, the cases illustrated that the media tends to emphasise 'negative' issues in audit reports. This could have the effect of decreasing citizens' confidence in local government. However, this weakness cannot be solved easily, because it is the media that decide which points will be stressed in, for instance, newspaper articles. Moreover, although an audit committee can try to find a balance in its reports between the municipality's weak points and its strong points, we must realise that it is not the audit committee's role to promote the local government organisation.

Furthermore, the paper also discussed issues that suggest that performance auditing in the Netherlands is associated with two, related, more fundamental problems. The first problem arises as part of the interactions between, on the one hand, the audit committee and, on the other hand, the municipal organisation and the Executive. These interactions are characterised by a tension caused by the formal requirement that audit committees should be independent. In order to maintain their independence, audit committees seem reluctant to incorporate in their reports suggestions for changes from the municipal organisation or the Executive. We found several examples of situations in which the changes suggested by, for example, managers were largely ignored by the audit committee, because its members were convinced that these suggestions were only meant to paint a more optimistic picture of the organisation. At the same time, the persons who had made the suggestions were quite certain that without the proposed changes the reports would be of limited use. Hence, by ignoring suggestions from persons that are better informed about the specific situation, audit committees run the risk of producing reports that appear of limited use to those who have to implement the recommendations included in these reports.

The limited perceived usefulness of audit reports – in turn – influences democratic processes because of the second fundamental problem, which arises as part of the interactions between the municipal council and the Executive. The findings from our empirical research suggest that it is quite difficult for councillors to understand audit reports, and to assess the quality of these reports. Because of this, they have to rely largely on the opinions of others; in practice, mostly

members of the Executive. However, given their dissatisfaction with audit reports, members of the Executive have an incentive to use their influence on the council to guide the discussion into directions that they consider to be desirable or harmless. The end result is that the direct influence of the council on how the audit reports are used to make changes to the organisation, is quite limited. Of course, indirectly the influence of the council could be much stronger, because the presence of the council probably prevents the Executive from disregarding audit reports.

Here, it is also important to make a distinction between the four types of accountability information introduced in section 3. Other researchers have already indicated that, given its level of detail, type D information (with a managerial scope and a focus on achievements) is not very interesting for many elected politicians, and may distract attention from the issues that should be discussed by elected bodies. However, based on our empirical research, we have the impression that the alternative that these researchers prefer – i.e. type C information (again with a focus on achievements, but now with a political scope) – is problematic too. That is, because of the difficulties that arise when measuring the effectiveness of particular programmes or activities in terms of outcomes, it is relatively easy for the Executive to criticise the findings from the audit committee, while it is rather difficult for councillors to assess the validity of this criticism. This puts the Executive in a relatively powerful position. In contrast, type A and B information (with a focus on compliance) is probably easier to understand for councillors. The problem with these types of information is, however, that whenever rules have not been followed, especially when it concerns clear formal procedures, the Executive often cannot do much more than to make apologies and to promise improvements for the future. In such situations, the role of the council seems to be limited. This would suggest that performance auditing is most effective as an instrument to improve accountability and democracy if it leads to information about the extent to which more ambiguous rules have been followed. In our empirical research, we have seen some examples of that sort of information; for instance, resulting from investigations into the quality and quantity of the information about a particular topic that has been provided to the council, and the extent to which the council has been involved in particular decisions-making processes.

The above discussion also raises a few issues that have not been examined in this paper. For example, although we have some indications that different types of accountability information have different effects on the position of the elected body, and hence on the quality of democratic processes, we have not been able to investigate the effects of different types of information separately. Future research in this area could improve our understanding of these effects, and could help, for instance, audit committees in making choices. Also, this paper did not examine the effects of performance auditing on the performance of local government organisations. Since audit reports can be used to improve organisational performance, in the longer term performance auditing could have a positive effect on citizen support. Although it will be difficult to measure this effect on citizens, it would be interesting to investigate the effects of performance auditing on organisational performance.

As a final comment, it should be noted that the recent changes in the governance of the Dutch local government organisations may have had an unintended effect on the position of the council. That is, although these changes were intended to give the council a clearer and stronger position vis-à-vis the Executive, in practice they may have resulted in the opposite. More particularly, since the replacement of the monistic model by the dualistic model members of the Executive are not members of the council anymore, and hence it is more difficult for them to play a 'liaison role' between the municipal organisation and the council. In practice, this could imply that in some respects councillors of a coalition party can no longer make use of the more detailed information that was previously provided by members of the Executive from the same party. This development may have enlarged the gap between – on the one hand – persons within the municipal organisation and the members of the Executive, being the professionals, and – on the other hand – the councillors, being the amateurs. Of course, the work of the audit committees – which were established as part of the changes in governance – could have reduced this gap to some extent. However, given the weaknesses and problems discussed above, its effects on the position of the council can only be expected to be small.

(Andeweg, 2004; Bogt, 2008; Brandsen et al., 2007; Broadbent and Laughlin, 2003; Chesterman, 2001; Day and Klein, 1987; Everett, 2003; Glynn, 1996; Hendriks and Tops, 1999; Hodge and Coghill, 2007; Holsteyn and Irwin, 2003; Hood, 1991; Hood, 1995; Lindeberg, 2007; Lonsdale, 2000; Meijer, 2003; Meyer and Rowan, 1977; Mussari, 1995; O'Dwyer and Unerman, 2008; Pallot, 2003; Pollitt, 2003; Power, 1994; Power, 2003; Roberts and Scapens, 1985; Roberts and Pollitt, 1994; Robinson, 2003; Romzek, 2000; Schmitter, 2004; Shand and Anand, 1996; Sinclair, 1995; Tweede Kamer der Staten Generaal, 2001; Wilson, 1989)

REFERENCES

- Andeweg, R.B., (2004). Parliamentary Democracy in the Netherlands, *Parliamentary Affairs*, Vol. 57, No. 3, pp. 568-580.
- Bogt, H.J.t., (2008). Recent and Future Management Changes in Local Government: Continuing Focus on Rationality and Efficiency?, *Financial Accountability & Management*, Vol. 24, No. 1, pp. 31-57.
- Brandsen, T., P.Kalders, L.Schaap, and R.Schouten, (2007). *Leren Afrekenen: Een Voorlopige Evaluatie van Lokale en Provinciale Rekenkamer(commis)sie*s, Den Haag, B&A Groep.
- Broadbent, J. and R.Laughlin, (2003). Control and Legitimation in Government Accountability Processes: The Private Finance Initiative in the UK, *Critical Perspectives on Accounting*, Vol. 14, No. 1/2, pp. 23-48.

- Chesterman, J., (2001). The State of Citizenship, *Australian Journal of Public Administration*, Vol. 60, No. 2, pp. 115-118.
- Day, P. and R.Klein, (1987). *Accountabilities: Five Public Services*, 1st edition, London/New York, Tavistock Publications.
- Everett, J., (2003). The Politics of Comprehensive Auditing in Fields of High Outcome and Cause Uncertainty, *Critical Perspectives on Accounting*, Vol. 14, No. 1/2, pp. 77-104.
- Glynn, J.J., (1996). Performance Auditing and Performance Improvement in Government: Public Sector Management Reform, Changing Accountabilities and the Role of Performance Audit, in: *Performance Auditing and the Modernisation of Government*, Paris, OECD, pp. 125-136.
- Hendriks, F. and P.Tops, (1999). Between Democracy and Efficiency: Trends in Local Government Reform in the Netherlands and Germany, *Public Administration*, Vol. 77, No. 1, pp. 133-153.
- Hodge, G.A. and K.Coghill, (2007). Accountability in the Privatized State, *Governance*, Vol. 20, No. 4, pp. 675-702.
- Holsteyn, J.J.M.v. and G.A.Irwin, (2003). Never a Dull Moment: Pim Fortuyn and the Dutch Parliamentary Election of 2002, *West European Politics*, Vol. 26, No. 2, pp. 41-66.
- Hood, C., (1991). A Public Management for All Seasons?, *Public Administration*, Vol. 69, No. 1, pp. 3-19.
- Hood, C., (1995). The 'New Public Management' in the 1980s: Variations on a Theme, *Accounting, Organizations and Society*, Vol. 20, No. 2/3, pp. 93-109.
- Lindeberg, T., (2007). The Ambiguous Identity of Auditing, *Financial Accountability & Management*, Vol. 23, No. 3, pp. 337-350.
- Lonsdale, J., (2000). Developments in Value-For-Money Audit Methods: Impacts and Implications, *International Review of Administrative Sciences*, Vol. 66, No. 1, pp. 73-89.
- Meijer, A.J., (2003). Transparent Government: Parliamentary and Legal Accountability in an Information Age, *Information Polity*, Vol. 8, No. 1/2, pp. 67-78.
- Meyer, J.W. and B.Rowan, (1977). Institutionalized Organizations: Formal Structure as Myth and Ceremony, *The American Journal of Sociology*, Vol. 83, No. 2, pp. 340-363.
- Mussari, R., (1995). Italian Municipal Audit: Half a Reform?, *Financial Accountability & Management*, Vol. 11, No. 2, pp. 127-140.
- O'Dwyer, B. and J.Unerman, (2008). The Paradox of Greater NGO Accountability: A Case Study of Amnesty Ireland, *Accounting, Organizations and Society*, Vol. in press (doi: 10.1016/j.aos.2008.02.002), No.
- Pallot, J., (2003). A Wider Accountability? The Audit Office and New Zealand's Bureaucratic Revolution, *Critical Perspectives on Accounting*, Vol. 14, No. 1/2, pp. 133-155.
- Pollitt, C., (2003). Performance Audit in Western Europe: Trends and Choices, *Critical Perspectives on Accounting*, Vol. 14, No. 1/2, pp. 157-170.

- Power, M., (1994). The Audit Society, in: A.G. Hopwood and P.Miller (eds.), *Accounting as Social and Institutional Practice*, Cambridge/New York/Oakleigh, Cambridge University Press, pp. 299-316.
- Power, M., (2003). Evaluating the Audit Explosion, *Law & Policy*, Vol. 25, No. 3, pp. 185-202.
- Roberts, J. and R.Scapens, (1985). Accounting Systems and Systems of Accountability: Understanding Accounting Practices in their Organisational Contexts, *Accounting, Organizations and Society*, Vol. 10, No. 4, pp. 443-456.
- Roberts, S. and C.Pollitt, (1994). Audit or Evaluation?: A National Audit Office VFM Study, *Public Administration*, Vol. 72, No. 4, pp. 527-549.
- Robinson, P., (2003). Government Accountability and Performance Measurement, *Critical Perspectives on Accounting*, Vol. 14, No. 1/2, pp. 171-186.
- Romzek, B.S., (2000). Dynamics of Public Sector Accountability in an Era of Reform, *International Review of Administrative Sciences*, Vol. 66, No. 1, pp. 21-44.
- Schmitter, P.C., (2004). The Ambiguous Virtues of Accountability, *Journal of Democracy*, Vol. 15, No. 4, pp. 47-60.
- Shand, D. and P.Anand, (1996). Performance Auditing in the Public Sector: Approaches and Issues in OECD Member Countries, in: *Performance Auditing and the Modernisation of Government*, Paris, OECD, pp. 57-102.
- Sinclair, A., (1995). The Chameleon of Accountability: Forms and Discourses, *Accounting, Organizations and Society*, Vol. 20, No. 2/3, pp. 219-237.
- Tweede Kamer der Staten Generaal, (2001). *Wijziging van de Gemeentewet en Enige Andere Wetten tot Dualisering van de Inrichting, de Bevoegdheden en de Werkwijze van het Gemeentebestuur (Wet Dualisering Gemeentebestuur)*, Explanatory Memorandum, year 2000-2001, 27 751, No. 3, 's-Gravenhage, Sdu Uitgevers.
- Wilson, J.Q., (1989). *Bureaucracy: What Government Agencies Do and Why They Do It*, Basic Books.

}