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**AUDITOR AND AUDITEE ENGAGEMENT WITH PUBLIC SECTOR  
PERFORMANCE AUDIT: AN INSTITUTIONAL LOGICS PERSPECTIVE**

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## **Title**

Auditor and Auditee Engagement with Public Sector Performance Audit: An Institutional Logics Perspective

## **Abstract**

In the context of contemporary public sector performance audit practice in Australia, this study provides significant insights into performance auditors' and auditees' apparent logics and attitudes to performance audits. Employing a documentary analysis and in-depth semi-structured interviews with senior audit leaders from all Australian Auditor-General jurisdictions, performance auditors' and auditees' attitudes towards performance audits, their intentions, strategies and responses were explored through the lens of institutional logics. Empirical evidence reveals that performance auditors' logics have gradually moved towards greater stakeholder engagement with auditees, parliamentarians and the media, while preserving their performance audit prerogatives. Auditees appear to become more receptive to performance auditors' engagement strategies and consultation attempts if auditors maintain a collaborative attitude. Both parties occasionally apply bridging and buffering strategies in situations where their logics are not aligned with those of the other stakeholder group. This study discovered that competing logics held by performance auditors and auditees are in some respects drawn closer together, while differences nonetheless co-exist, although often in an uneasy partnership.

## **Key search terms**

Performance auditing, Auditor-General, Australia, public sector, institutional logics

## **Introduction**

Public sector performance audit (PA) activities emerged in the 1970s and have continued to be applied in various forms across government levels (local, state and federal) to the present time (Guthrie and Parker, 1999; Leeuw, 1996; English and Skaerbaek, 2007). Today, PA work is a widely-recognised and accepted feature of public administration and has become a key element in the mandate of Auditor-General Offices (AGOs) worldwide, including Australia (Parker et al., 2018; Justesen and Skaerbaek, 2010; English, 2007; Johnsen et al. 2019). Australia has been described by Pollitt and Bouckaert (2011, p. 117) as member of the "core NPM group", in which PA practice as part of the NPM is highly institutionalised and the number of PAs has

significantly increased over recent decades (see **Table 1**). In Australia, PA practice has arguably reached a mature stage (Parker et al., 2018; Skaerbaek, 2009).

In previous PA studies, auditees have been described as targets of influence and performance auditors have been referred to as sources of influence (Morin, 2001). Due to the nature of PAs and their objectives of enhancing accountability in the public sector and increasing audited agencies' performance (Guthrie and Parker, 1999; Kells, 2011; Johnsen et al., 2001; Guthrie, 1989; Mulgan, 2001), auditees have been said to expect auditors to add value to their agencies by contributing to the improvement of the efficiency and effectiveness of public services and programs and to assist in the more economic allocation of public resources (Parker and Guthrie, 1993; Pollitt et al., 1999; Pollitt and Summa, 1997; Lonsdale, 2000; English et al., 2010). While auditees' expectations are mainly about performance auditors' capabilities to conduct competent performance evaluations, to produce fair and balanced PA reports and to make feasible PA recommendations (Parker et al., 2018; Reichborn-Kjennerud and Vabo, 2017; Morin, 2014), it has been found that auditors often do not meet those expectations due to intentions and values that differ from those of auditees. The differing auditor and auditee mind-sets with regards to the PA function appear to have resulted in a range of behavioural tactics employed by auditees before, during and after the PA process and a range of strategies used by auditors to control and manage the PA process (Funnell and Wade, 2012; Morin, 2001; Torres et al., 2016; Parker et al., 2018).

This study responds to calls by Gendron et al. (2007), Morin (2014), Funnell and Wade (2012), Funnell et al. (2016), Desmedt et al. (2016) and Power (2003) for more comprehensive research into how performance auditors' claims and recommendations are legitimised and how auditees who are directly affected by PAs react to those claims and recommendations. Accordingly, the central objective of this research study is to investigate auditors' strategic intentions and auditees' attitudes and response strategies with respect to PAs. For this purpose, two research questions were developed:

- (1) What appear to be auditor and auditee attitudes to performance audits?
- (2) What strategies for managing their engagement with the performance audit do they appear to employ?

Investigating tactics and strategies used by auditees and performance auditors through the lens of institutional logics, this study contributes to research studies by Funnell and Wade (2012) who have examined auditees' strategic responses to performance auditors, Justesen and

Skaerbaek (2010) who have identified auditees' identities in the PA context, and Guthrie and Parker (1999) and Radcliffe (1998) who have examined the influence of AGs' philosophies and interpretations of the PA mandate on PA activities. When examining competing attitudes and strategies of auditors and auditees, institutional logics offer a pertinent and revealing theoretical framework for unpacking their differing logics and the way in which these interact and explain auditor and auditee actions and responses.

The paper commences with an overview of the relevant literature, followed by an outline of the theoretical lens through which this analysis is undertaken, and an explanation of the research methodology employed. The study's main findings are then presented, followed by their discussion and resulting conclusions.

## **Literature Review**

As the target of PAs, auditees have been recognised as actors rather than passive recipients of those audits (Hasan et al., 2013). While Power (1999, 2003) argues that auditees have the ability to actively channel the PA process, Lonsdale (2008) claims that PA outcomes are influenced by auditees' responsiveness to those audits. In the Australian context, Guthrie and Parker (1999) contended that auditees can either effectively assist performance auditors by sharing relevant information and engaging in open and honest conversations with auditors, or alternatively, withhold documents to delay and hinder PA investigations. These observations suggest that auditees, through their degree of control over audit information, can cause performance auditors to become somewhat dependent on them.

Power (2003), Reichborn-Kjennerud (2014) and Pierre and de Fine Licht (2019) found that auditees are more open to PAs and are more willing to share relevant information with performance auditors if they perceive them to support their organisation's objectives and culture. So while auditees and performance auditors can create a collaborative PA atmosphere and negotiate audit findings (Johnsen et al., 2001; Lapsley and Pong, 2000), their different belief systems and agendas may trigger extensive negotiations and disagreement (Keen, 1999).

The PA process, audit findings, auditors' approach and the relationship between auditees and auditors are often dependent on the roles performance auditors take on (Pollitt et al., 1999; Pierre and de Fine Licht, 2019; Hasan et al., 2013). While they are expected to act as catalysts of change (Justesen and Skærbæk, 2010), performance auditors have been found to occasionally act as controller, disciplinarian or management consultant (Morin, 2003; Morin and Hazgui, 2016). Depending on adopted roles, performance auditors may apply different

strategies and tactics that condition how they conduct fieldwork and interact with auditees, the nature of recommendations they make and the tone they use in the PA report (Hatherly and Parker, 1999; Desmedt et al., 2017). Their adopted strategies may also reflect their perceived relationships to other PA network actors (Justesen and Skaerbaek, 2010), such as parliament and the media (Morin, 2003; Sharma, 2007). Funnell et al. (2016, p. 16) argue that performance auditors who seek a

“higher public profile as a watchdog of public accountability might be tempted to focus on ‘gotchers’ and ‘juicy bits’ rather than public management improvement, thus improving his or her standing with the Parliament at the expense of the auditor-auditee relationship and the ability of the performance audit to be seen to add value to the operations of auditees.”

Triantafillou’s (2017) study of performance auditing by the Danish SAI revealed its strategic focus on its independence rather than audit relevance, orienting its performance audits towards independent *ex post* control rather than collaborative auditee learning. Given Denmark’s history of minority government, the SAI reporting also primarily targeted parliament rather than government. Thus largely, government and parliament accepted its performance audit reports, whereas auditees were much less satisfied. This appears to support arguments by Gendron et al. (2007) that the roles and associated behaviours adopted by performance auditors affect how auditees perceive and react to performance auditors and PAs in general. For example, Morin (2014) found that auditees consider PAs to be more useful and effective in situations where performance auditors adopt a collaborative approach and interact and communicate openly with them.

However when performance auditors seek to improve their own profile in the media and exhibit a headline-hunting approach (Kells, 2011), auditees generally do not see value in PAs and react strategically (Funnell and Wade, 2012). In her study of the Swedish SAI relationship with the media, Bringselius (2014) found a history of increasing its focus on maximising media coverage of performance audit reports, possibly both to demonstrate their public value and to trigger greater responses from the public and government. However this appeared to induce audit and reporting design, as well as reported conclusions focussed on negative fault finding in pursuit of media attention. Thus while the frequent interaction and the sharing of details between auditors and auditees may lead to performance auditors becoming too cosy with auditees, leading to sugar-coating and under-reporting of findings (Kells, 2011), an aggressive

audit style and overly critical reporting of findings to attract media attention and parliamentarians' interest may lead to the other extreme, i.e. blame-gaming.

Despite reservations concerning close relationships between performance auditors and auditees, a recent study by Pierre and de Fine Licht (2019) on SAIs' PA practice in Australia, New Zealand, Norway, and Sweden reveals a change in the *modus operandi* of PA activities. The authors found that a new paradigm emerged in which performance auditors foster ongoing and more continuous communication with auditees. This contrasts with a historical tradition of PAs in which performance auditors interacted with auditees only when they conducted PAs. Being receptive to auditees' feedback can allow performance auditors insights into audited organisations and thereby facilitate more tailored recommendations and better PA outcomes. However, this may risk auditors becoming too close to auditees, breaching auditor independence and imperilling their credibility (Funnell et al., 2016; Pierre and de Fine Licht, 2019).

As emphasised by Lonsdale (2008), auditees' reactions to PAs can vary: while some auditees are keen to learn from such audits, others mistrust performance auditors and resist their work. Arguing that auditees' suspicion of performance auditors is often inevitable, Funnell and Wade (2012) accept hostile relationships between the two parties. Such hostility and auditee aggression may emerge where auditees perceive PAs as a threat to their organisation and consequently act strategically to influence audit results (Funnell and Wade, 2012), for example through game playing and creative compliance:

“Auditees could create an *illusory world* made up of beautiful plans, smart [capitals in original] objectives, indicators, procedures, and so on, [...] while behind this formal façade everything goes on as it did before. ‘Decoupling’, ‘window dressing’, ‘dramaturgical performance’, ‘impression management’, ‘gaming’ are all terms used to describe aspects of this phenomenon.”  
(Van Looke and Put, 2011, p. 200)

Funnell and Wade (2012) provide empirical evidence of auditees adopting different strategies that range from co-operative acquiescence to confrontational defiance. As indicated in studies referenced above, they concluded that auditees' strategy choices reflected their desire to influence PA outcomes so that audit findings become more closely aligned with auditees' culture and objectives. Auditees' strategies include efforts to actively limit performance auditors' intrusions and deliberate attacking of the reputation and professionalism of AGs and

their staff (Guthrie and Parker, 1999; Radcliffe, 2008; Funnell and Wade, 2012). Contending that performance auditors wish their findings to be perceived useful by other stakeholders, Radcliffe (2008) argues that the auditors may collude with auditees in concealing controversial and complex details, hoping to improve auditees' preparedness to accept audit findings. More precisely, Radcliffe (2008, p. 99) has found performance auditors failing to hold auditees publicly responsible for actions considered as "publicly unpalatable": apparently prioritising good relations with auditees at the expense of revealing the truth. In contrast to Radcliffe's (2008) conclusions, Funnell and Wade (2012, p. 435) found that auditees' defiant and confrontational responses to PAs triggered corresponding responses from performance auditors "who are determined not to allow auditees to thwart the audit or to undermine their standing and authority."

Reichborn-Kjennerud (2014) concluded that in situations where auditees cannot meet performance auditors' expectations, they occasionally conform partially to auditors' recommended suggestions or only conform to the minimum requirements. Alternatively, auditees may choose to avoid or ignore performance auditors' recommendations if they do not consider them to be compliant with their organisations' views. Previous studies have offered a range of reasons expressed by auditees for not implementing recommendations (e.g. Barrett, 2011; Funnell and Wade 2012; Morin, 2001, 2014; Torres et al., 2016; Pollitt et al. 1999). Some of the reasons have included:

- recommendations lacking materiality;
- measures addressing identified issues already put in place;
- recommendations touching policy issues;
- inadequate financial resources for implementing recommendations;
- auditees not feeling responsible for implementing recommended actions; and
- factual errors in PA reports.

Reichborn-Kjennerud and Johnsen (2015) and Reichborn-Kjennerud and Vabo (2017) contend that auditees tend to employ strategies of resistance and defiance when their comments on PA findings and recommendations are not taken into account by auditors. Such variations in performance auditor strategies and approaches to auditee management, and auditees' responses to the audit process and its findings suggest that the two parties' strategies and their relationships merit more detailed investigation.



Prior studies' revelations of conflict situations between auditors and auditees appear to suggest that auditors and auditees may be employing competing institutional logics (Friedland and Alford, 1991; Thornton and Ocasio, 1999). In previous studies, performance auditors appeared to be generally positive about the existence and growth of the PA practice and considered the PA mandate to be a valuable exercise in holding auditees accountable and improving public sector performance (e.g. Funnell and Wade, 2012; Morin, 2003). Auditees, however, have often offered opposing views. Their negative perceptions of PAs appear to have reflected their vested interest in protecting their organisations from criticism and public exposure. These perspectives of PAs have produced a range of behavioural tactics applied by auditees (Funnell and Wade, 2012; Torres et al., 2016). It is to the potentially competing logics affecting performance auditors' and auditees' perceptions and strategies to which this study now turns.

### **Theoretical Lens: Institutional Logics**

Institutional logics combined with a game theory perspective, provide the theoretical lens through which the authors assess performance auditors' and auditees' attitudes and approaches towards PAs and through which we examine and outline the strategies those actors employ to manage their engagement in the PA process. First introduced by Friedland and Alford (1991), institutional logics have been defined as cultural beliefs and rules shaping the cognitions and behaviours of actors and providing those actors with means-ends designations and rationales for goals and actions (see also Meyer and Hammerschmid, 2006; Thornton, 2002; Thornton and Ocasio, 1999). Friedland and Alford (1991) further define institutional logics as guides that provide social actors with vocabularies of motive. Thereby, institutional logics provide a collective and socially shared understanding of how topics and decisions are framed (Orlitzky, 2011).

Institutional logics, when embodied in ideas and practices, "shape the rules of the game" (Dunn and Jones, 2010, p. 114). Embedded in institutional logics, those practices and symbols are available to organisations, groups or individuals who may use them to their own advantage or to manipulate other actors (Friedland and Alford, 1991). Following Modell (2015) the theoretical lens of institutional logics seeks to elaborate on shifts in institutional logics or situations where multiple institutional logics co-exist while competing for attention. In some circumstances, organisations may employ bridging strategies to legitimise their activities in their institutional environment while also preserving their technical agenda (Scott, 2003; Narayan et al., 2017). Such strategies may take various forms including collaborations,

networking and more. In this way, they may manage multiple interests of various parties, changing or developing amended institutional logics that are acceptable to those parties (Gray, 2000; Narayan et al., 2017). These are options potentially open to both auditors and auditees in the PA process.

Scott and Meyer (1983) conceptualised institutional logics as originating within societal sectors, such as the state, corporations, professions and religions, where individuals, groups and organisations cohere on shared rules and beliefs. Professions, described by Hughes (1936, p. 180) as societal institutions of “relative permanence” are often considered to have one dominant institutional logic. Following Dunn and Jones (2010), the focus on a dominant logic within professions often leads to the assumption that consensus is reached among professionals. However, as D’Aunno et al. (1991) found, institutional environments, where different groups of institutional actors come together, are often fragmented, with conflicting demands and a multiplicity of logics exerted at the same time. This makes agreement difficult when different groups attempt to assert their interests. In this regard, Meyer and Hammerschmid (2006) in their study on changing institutional logics in the public sector in Austria, outline how competing logics can lead to shifts in institutional logics. Competing logics are associated with different actors, each deriving their self-concepts from a different institutional logic (Modell, 2015).

The theoretical lens of institutional logics has been applied in previous studies on public sector management and public sector auditing. In the public sector auditing context, Power (2003) differentiated between two basic logics often adopted by auditors, i.e. the logics of blaming and learning. AGOs often choose between those logics depending on whether they adopt a blaming policy, intending to publicly expose and punish recalcitrant auditees, or decide to embrace a supportive approach seeking to contribute to the performance improvement of audited organisations. Emphasising that it is wrong to assume that blame in auditing is always undesirable, Power (2003, p. 196) asserts that

“the ideal design of audit will seek to combine both ‘logics,’ using triggers for blaming with a learning, supportive environment.”

Justesen and Skaerbaek (2010) suggest that auditees’ identities are partially created and shaped through the interactions with other institutional actors such as performance auditors. The authors emphasise that auditees occasionally feel they are the target of performance auditors’ criticism no matter how they perform. In fact, auditees feel they are unavoidably be part of an

unjust and destructive performance auditor initiated blame game that influences how they perceive PAs, act during the audit process, and react to audit outcomes (Justesen and Skaerbaek, 2010).

Just as ideas and practices can shape the rules of the game, some previous studies have identified auditing as strategic game played out between auditors and auditees (Fellingham and Newman, 1985; Zimbelman and Waller, 1999). Thus game theory has become well established in the audit literature and applied in various ways (Coate et al., 2002; Chou et al., 2012; Cook et al., 1997). One of the first academic studies introducing game theory to the auditing process was that by Fellingham and Newman (1985), who investigated through the game theory lens, when and under what circumstances auditees expend high or low effort maintaining internal control, and auditors expend high or low effort investigating internal controls.

In studies conducted by Cook et al. (1997) and Hatherly et al. (1996) a cooperative game theory was applied. In the latter study for example, auditors' strategic game in a cooperative setting was explored, arguing that auditors commit to a strategy incorporating an audit opinion conditional upon auditees' effort to appropriately prepare the accounts. Applying the cooperative game theory approach, Demski and Swieringa (1974) also argue that the audit fee is cooperatively agreed upon between auditors and auditees and that potential legal costs associated with unacceptable accounting methods is shared among both parties. Both studies by Demski and Swieringa (1974) and Hatherly et al. (1996) demonstrate that audits are often performed in cooperative mode, where strategies are agreed upon in advance. In this regard however, Sweeney and Pierce (2011) identify potential conflicts related to the cooperative strategy: in that auditors need the cooperation of auditees but at the same time need to remain objective. Arguably, while cooperation can enhance the audit outcome, it may compromise and impede auditor independence. Fairchild (2008), examining the audit game claimed that the auditors' ability to discover and detect fraud and misconduct increases with their length of tenure, but that over time they may lose objectivity and become more sympathetic towards auditees. Eventually, this may enhance auditor acquiescence and fraud incentives..

While Hatherly et al. (1996) and Antle and Nalebuff (1991), using the cooperative game theory approach, consider that it is not uncommon for auditors and auditees to jointly agree on an audit strategy and process, Fellingham and Newman (1985), Matsumura and Tucker (1992), Shibano (1990), Patterson (1993) and (Cook et al. 1997) also envisage non-cooperative interactions between auditors and auditees. Within the boundaries of the non-cooperative game, auditors can take strategic actions to influence and control auditees.

In the same vein, Coate et al. (2002) and Cook et al. (1997) argue that in the audit game, the auditors' willingness or unwillingness to act strategically, in turn, influences the auditees' willingness or unwillingness to respond strategically, and vice versa. Fellingham and Newman (1985, p. 635), for example, suggested that auditors and auditees play a (competitive) game against each other in a way that "allow(s) the auditor to influence the behavior of the auditee". Arguably, this implies that auditees will, in turn, influence the auditors' behavior.

Zimbelman and Waller (1999) add that it is a distinguishing feature of strategic games, such as audits, that actors try to anticipate the strategic reactions of their opponents while being fully aware that their opponent may do likewise. However, the authors (pp. 135-6) emphasise that it is not necessarily possible for auditors and auditees to "anticipate each other's best response strategy at equilibrium [...]; that is, neither player can count on the other to select a Nash equilibrium strategy (...)." Instead, as argued by Zimbelman and Waller (1999), auditors' and auditees' strategic responses and behaviour are limited and driven by the conditions and circumstances that have direct effects on their counterpart.

Such previous academic research examining the audit game has focussed on explaining the auditor-auditee relationship, elucidating the audit process from a game theory perspective, and build game theoretical models (Coate et al., 2002). While this study does not intend to *model* the strategic approaches employed by auditors and auditees, it benefits from the previous game theoretic studies by examining auditors' and auditees' institutional logics and how these are influenced by either cooperative or non-cooperative behaviour of the actors. In other words, this study facilitates a more detailed examination of the way in which auditors' and auditees' strategic actions are influenced by the actions of the other party. Our theoretical approach of embedding game theory into the institutional logics lens serves to supplement the performance audit literature in that it allows us to tie together, within the boundaries of the auditing paradigm, theoretical perspectives focused on the strategic nature of auditing and in turn, the strategic behaviour of actors (i.e. auditors and auditees), and how such strategic behaviour is shaped.

## **Methodology**

The scope for this study included the Commonwealth of Australia AGs in all federal, state and territory jurisdictions. Examining all AG jurisdictions allowed access to the variety of PA attitudes and reporting practices across the population of public sector AGOs and a selected sample of their auditees in the one country. Qualitative interview method and document

analysis facilitated a contextualised exploration and critique of performance auditor/auditee attitudes, strategies and responses. These include our penetration, evaluation and explanation of underlying audit intentions of PAs and associated report management strategies employed by auditors and auditees. Auditee responses to performance audit recommendations were investigated via documentary evidence in the form of AG annual reports to parliament and AGs' published PA reports. To provide both a longitudinal and current perspective on the study's research questions, the years 2001-2012 constituted the study period. In those years, AGs across Australia published in excess of 1000 PA reports, with notably the ANAO publishing approximately 50% of these. **Table 1** presents a summary of the PA reports produced during the study period.

**Table 1: PA Reports Tabled in the National Parliament, State and Territory Parliaments (2001-12)**

Auditors-General Offices	Financial Year (FY)											Total
	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	
<b>Australian Capital Territory (ACT)</b>	10	9	3	8	7	7	5	8	6	7	6	<b>76</b>
<b>Australian National Audit Office (ANAO)</b>	46	47	45	48	46	45	44	45	47	52	52	<b>517</b>
<b>New South Wales (NSW)</b>	14	13	12	17	15	14	11	7	14	12	9	<b>138</b>
<b>Northern Territory (NT)</b>	20	5	6	3	0	0	0	4	7	7	3	<b>55</b>
<b>Queensland (QLD)</b>	0	3	3	2	3	4	6	6	7	5	7	<b>46</b>
<b>Tasmanian (TAS)</b>	4	6	4	5	4	8	6	6	8	10	6	<b>67</b>
<b>Victorian (VIC)</b>	9	9	9	10	12	13	29	26	26	30	29	<b>202</b>
<b>Western Australia (WA) (PE/ Broad scope PA)*</b>	8	6	9	4	10	6	4	5	5	3	7	<b>67</b>
<b>Western Australia (WA) (CCA)*</b>	9	10	11	8	10	10	4	10				<b>72</b>
<b>Western Australia (WA) (Narrow scope PA)**</b>									13	10	12	<b>35</b>
<b>Total PA reports per FY</b>	<b>120</b>	<b>108</b>	<b>102</b>	<b>105</b>	<b>107</b>	<b>107</b>	<b>109</b>	<b>117</b>	<b>133</b>	<b>136</b>	<b>131</b>	<b>1,275</b>

Note: \*During 2001-2009, WA AG summarised in the Annual Reports to Parliament two types of PA reports: Performance Examination (PE) reports and Controls, Compliance and Accountability (CCA) reports. \*\*Since 2009/10, WA AG submitted to Parliament two types of PA reports: broad scope PA reports and narrow scope PA reports.

As a sampling strategy, we examined all AG annual reports to parliament published in the years 2001/02 and 2011/12 by AGOs in all Australian jurisdictions with the exception of South Australia<sup>1</sup>. **Table 2** lists the number of PA reports and Auditee Responses to PA reports inspected in these two reporting years. Given the large volume of PA reports published, PA reports specifically referenced in the AGs' annual report to parliament were selected for examination, given that this appeared to signal their importance for parliamentary scrutiny. Our analysis did not extend to follow-up PAs. Additionally, the researchers analysed all auditee responses to PA reports for the PA report sample originally examined in the financial years of 2001/02 and 2011/12.

**Table 2: PA Reports and Auditee Response Samples Examined**

<b>FY:</b>	<b>PA Reports:</b>		<b>Auditee Responses to PA Reports:</b>		
	<b>States and Territories</b>	<b>ANAO</b>	<b>States and Territories</b>	<b>ANAO</b>	<b>VIC</b>
<b>2001/02</b>	65	8	59	8	
<b>2002/03</b>	55	7	N/A		
<b>2003/04</b>	49	5	N/A		
<b>2004/05</b>	47	5	N/A		
<b>2005/06</b>	53	17	N/A		
<b>2006/07</b>	51	13	N/A		
<b>2007/08</b>	57	4	N/A		
<b>2008/09</b>	62	8	N/A		
<b>2009/10</b>	69	7	N/A		

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<sup>1</sup> South Australia was excluded from examination because it is the sole AGO in Australia that has not regularly published stand-alone PA reports.



<b>2010/11</b>	76	14	N/A		
<b>2011/12</b>	72	13	67	13	7
<b>Total</b>	656	101	126	21	7

Through interviews with senior AGO audit leaders, we sought perspectives on PA intent from the ‘inside’ (Parker, 2012). Accordingly, AG audit leaders’ attitudes and intentions were interrogated via interviews with AGs and their senior officers in all jurisdictions. In this way, the researchers targeted professional audit ‘experts’ with a controlling role in PA practice (Meuser and Nagel, 2009). These interviews allowed us insights into senior AGO personnel attitudes to their surrounding context, their perceptions of engagement between themselves and various PA stakeholders, their orientations towards PAs and their reporting strategies (Hennink et al., 2011). Interview questions varied from semi-structured to unstructured, and incorporated conversational style interactions between researcher and interviewee (Fontana and Frey, 2000; King and Horrocks, 2010). To this end, sixteen semi-structured interviews were conducted with past and present AGs, Deputy and Assistant AGs, executive directors and senior managers. In each jurisdiction, from one to three AGO personnel were interviewed. The duration of each interview was approximately one hour as shown in Interview questions posed to interviewees were classifiable in several main groups that covered their intentions with respect to PAs, their targeting strategies relating to subjects and organisations audited, and their perceptions of auditee responses to PAs and associated reports. Regarding their intentions with respect to PAs, interviewees were asked about what they saw as the primary purpose of PAs and what a ‘good PA’ should entail/look like. A second group of questions aimed to explore their targeting strategies relating to subjects and organisations audited. In this respect they were asked about who they saw as the primary audiences for their PAs, how they selected audit topics and organisations, and any change in topic targeting and focus. Finally, their perceptions of auditee responses to PAs and associated reports were discussed with them. This included discussion of any changing responses and expectations, and changes in quantity and characteristics of PA recommendations. Further detail, clarifications and explanations were also secured through probe questions (Glesne, 2006) also thereby eliciting auditors’ attitudes, concepts and strategies (King and Horrocks, 2010; Hennink et al., 2011).

Interviews were electronically recorded and subsequently transcribed. The researchers thematically analysed interview transcripts with respect to the interview question categories.

Themes were coded in relation to context, concepts, practices, perceptions, and strategies (Scapens, 1990; Pettigrew, 1997; Ahrens and Dent, 1998). Interrelationships between themes were investigated (Denzin, 1978; Strauss and Corbin, 1990; Parker and Roffey, 1997) and core themes were then induced by comparing similarities and differences between themes and aggregating them into overarching themes (Huberman and Miles, 1994; Silverman, 2000).

In the qualitative tradition, this study sets out to deliver a credible account through its central research questions, its collected data, the research methods employed and its analytical account. Authenticity has been strengthened by the analysis of published PA reports and supplementary documentation, interviews were conducted in all national audit jurisdictions, and transcripts subject to critical analysis. Plausibility has been pursued through logical and theoretically informed findings and arguments, and through presenting contextualised understandings and theoretically informed explanations. Data longitudinality was enhanced by the length of periods covered by report and document analysis and the period during which interviews were conducted (McKinnon, 1988).

## **Findings**

From interviews with AGO leaders it emerged that the engagement between performance auditors and auditees plays a significant role in conditioning both auditor and auditee attitudes towards the PA game. Interviewee 8 outlined that while AGOs and their performance auditor teams were historically “*quite distanced*” from auditees and followed an approach of “*active non-engagement with the client*”, they widened their consultation and engagement with auditees when designing and conducting PAs. Interviews provided evidence that performance auditors were finding that a more cooperative and consultative attitude, fostering more open and transparent engagement with auditees appeared to avoid performance auditors being “*blindsided*” (Interviewee 8) by auditees through their concealing of relevant audit information. For example, some performance auditors outlined their cooperative approach of allowing auditees to suggest and/or comment on potential topic areas and the scope to be applied to the planned PAs. This suggests some potential move towards developing shared understanding between auditor and auditee logics.

When asked about the identity of the audience for AGOs’ PA activities and whether their expectations have changed, interviewees asserted that they regard Parliament as the most significant audience, followed by the public. Particularly MPs are “*an important part in the game because of their ability to close the [accountability] loop (...)*” (Interviewee 9).

Interviewees reported that over the years, in addition to auditees, parliamentarians had increasingly engaged with performance auditors (in parliamentary hearings), perused a growing number of PA reports and had therefore become more familiar with PA activities. Consequently, parliamentarians' expectations of PA work had increased significantly and were calling for more reports of greater quality, accuracy, and reliability.

Interviewees asserted that parliamentarians occasionally propose PA topics that in MPs' view, merit performance auditors' attention. Most AGs appeared to be receptive to MPs' suggestions and declared that they integrated those into the annual audit plan claiming that it is their "*job [...] to satisfy Parliament's information needs*" (Interviewee 8). One interviewee stated that "*a good performance audit is one that tells the Parliament and the public something that they didn't already know*" (Interviewee 11). The levels of regard paid by auditors to MPs' interests and representations, not only hints at performance auditors' perceived need and interest to cooperate with MPs, for instance in parliamentary hearings, but further suggests some trend towards the admitting of a wider suite of stakeholder institutional logics into the ongoing construction of PA beliefs and rules. This is arguably part of an auditor bridging strategy, offering albeit limited forms of cooperation and networking with a view to engaging varying institutional logics in search of some degree of rapport between stakeholders' attitudes, and a mutually acceptable shaping of beliefs and rules about PA focus, role, process and outcomes.

One concern interviewees voiced with regards to MPs' interest in and influence on PA activities is that parliamentarians, particularly opposition members, tend to use PAs for political reasons. According to interviewees this can undermine the PA work and lead to conflicts in terms of auditors' independence if MPs try to dovetail PA work with what suits their political argument. This suggests a limit to auditors' preparedness to engage with MPs' institutional logics and agendas, instead searching for some balance between stakeholder engagement and auditor independence.

As further evidence of auditor engagement with a wider suite of stakeholder logics, interviewees also referred to the public as the predominant stakeholder group, who do not only have a legitimate interest in how the public sector performs but also have the power to influence AGOs' PA topic selection. Many interviewees expressed the view that PAs that do not address the needs of those who are affected by public services are a waste of time. To this end, it emerged that some AGOs had commenced engaging and cooperating directly with the community, disseminating PA findings and requesting feedback from citizens on the topics and scope of PAs. Emphasising the importance of these key audiences, interviewee 14

concluded that *“there’s no point in beaver away on things that Parliamentarians and the community’s not interested in.”*

Apart from MPs and citizens, it emerged from interviews that the media takes an interest in AGOs’ PA work. In fact, the media was categorised as member of the audience given its role in informing the public about PA findings. Moreover, it became evident that interviewees view the media as catalyst for attracting parliamentarians’ attention to public sector performance issues. In this way, performance auditors evidently leverage the media’s influence as disseminator for their desired messages. So, given that the media is often the first audience group to notice relevant issues identified by performance auditors, AGOs’ frequently make use of media attention to PAs by drawing media interest to their PA work, thereby implicitly seeking strategic cooperation with the media. Acknowledging the media’s role as disseminator of PA findings, interviewee 7 added: *“I’d be disappointed if we don’t get some media coverage of what we’re doing (...).”* Interviewees justified their strategic use of the media, by arguing that press coverage of PA reports certainly encourages auditees to implement audit recommendations. Thus, cooperating with and relying on the media to exert pressure on auditees to appropriately react to PA recommendations is one strategy occasionally employed by performance auditors as emphasised by (Interviewee 11):

*“These days with modern media reporting, modern transparency, once there’s a significant finding and recommendation, then somebody will ask that obvious question of the responsible minister, ‘well what are you going to do about it, what have you done?’, all that sort of stuff.”*

Overall, AGOs appear to target the media with an intent of reaching the wider public as a primary target audience, while at the same time, using the media to also reach parliamentarians in a focussed communication that appeals to their electoral process interests. Indeed, its stakeholder targeting goes further, in that interviews revealed AGs media related agenda of also attracting the attention of, and pressuring government ministers and auditees. Thus, while these stakeholder groups may appear different and have somewhat differing priorities and interests, by cooperating with the media and facilitating cooperation with MPs and the wider public through the media, auditors can simultaneously appeal to their logics and further shape how the PA process is conducted and acted upon. Through cooperation and indirect pressure, auditors can enlist their own and their stakeholders’ logics into a degree of collaborative and shared assessment and understanding of auditee performance.

With regards to PA reports the researchers were further interested in how, and if at all, the key audiences, parliament, public as well as the media, influence the PA report format and reporting style. Questions posed in this regard were answered similarly by interviewees:

*“[T]he primary audiences have a major influence on the format and style of the report. I don’t think there’s any doubt about that.”* (Interviewee 2)

It is therefore not surprising that PA reports are tailored to the information needs of parliamentarians, the public and the media. To ensure that parliamentarians take notice of PA reports, performance auditors provide them with one-page executive summaries that contain succinct messages and key findings that a *“busy politician can flick through”* (Interviewee 13). That the structure of PA reports are influenced by the needs of parliamentarians was acknowledged by Interviewee 8 who explained that there is a *“need to structure this report so that it is accessible to, and understandable by, the Parliamentarians because they are a primary client.”* Interviewees further outlined that AGOs’ intention to target the information needs of MPs influences the language and tone used in PA reports, which are occasionally written in critical language to satisfy MPs. Referring to MPs, one participant stated that *“unless you have some adverse findings they’ll always be a little bit disappointed”* (interviewee 7).

In interviews, performance auditors further acknowledged their awareness of the media being particularly interested in PA reports written in a specific tone, with language used that attracts public and parliamentary interest. Performance auditors did not deny occasionally writing PA reports in a way that is designed to attract media attention:

*“It’s a bit funny as to whether you use [...] the media to actually influence Parliament. In some ways, if you’ve got the media highlighting an issue, then it’s drawn to the attention of the Parliament and if Parliament’s got an interest then it’s drawn to the attention of governments and ministers, and if ministers have an interest in it, then directors general and of course secretaries in the public sector has, so there is undoubtedly a bit of a link between the amount of public interest and I use the media as probably the best surrogate of that.”* (Interviewee 5)

As emphasised by Interviewee 5, performance auditors engage the media in a cooperative game, whereby they supply information in form of critical PA reports with the intention of facilitating press coverage of PA findings that reach the parliament and public. Engaging and cooperating with the media, whereby they trigger and attract journalists’ attention to certain PA reports, appears to be a tactic employed by performance auditors to strategically influence

other stakeholder groups' logics. In this regard, interviewees further emphasised that in order to reach the public and to attract citizens' and media's interest, AGOs became increasingly interested in the "*online delivery*" (Interviewee 10) of PA findings that goes beyond the downloading of PA reports. More precisely, some AGOs have established an online platform that reaches a wider audience. From an institutional logic perspective, we therefore see the auditor deliberately designing a reporting style and vocabulary that serves their own motive of reaching their priority audience groups, namely MPs and the public. This potentially serves the dual purposes of eliciting pressure for adoption of their PA recommendations, and legitimising their PA role and function.

Compared to MPs, auditees influence the structure and content of PA reports only to a limited extent, if at all. It appears from interviews that AGO leaders hold different views on whether auditees *should* influence the PA report structure and content. That some AGO leaders are not willing to cooperate with auditees in developing the PA report draft and do not allow auditees to influence the content and structure of PA reports was also emphasised by interviewee 4:

*"So I say to them, 'I'm happy for you to comment on this draft report in terms of have we understood the job properly and have we got the facts right but I'm reluctant to change our conclusions.'"*

Other interviewees, more receptive to auditees' opinions, claimed to always ensure that what is stated in PA reports is fair, provides a balanced view, outlines the environment in which auditees operate and is not written in sensational style. Those AGO leaders attached more importance to auditees having the opportunity to influence PA reports, as AGOs preferred to avoid situations where auditees claim that facts are wrong after reports have been tabled in parliament.

Interviewed AGO leaders exhibited some slight variations in views about cooperating with auditees when setting the the scope of PAs. While all emphasised the importance of the auditor's independent judgement of audit scope, only one jurisdiction claimed that auditees had and should have no influence. All other AGO jurisdiction leaders admitted to various forms of limited influence ranging across transparent engagement with auditees at the audit planning stage, negotiation with respect to audit scope, and consideration of auditee advice. However they were united in their declarations that the ultimate audit scope decision remained within their AGO remit. Those variations in preparedness to allow some forms of consultation with auditees may reflect some variation in AGO institutional logics relating to PAs, namely, the

desirable extent of focus upon facilitating auditee improvement, the preservation of auditor prerogatives and control over the rules of the PA game, or the retention of parliamentary and public legitimacy for their issue detection and critique. This could be seen to be akin to a predominant logic of either stimulating auditee learning, or facilitating auditee accountability.

Evidence from interviews overall appeared to clearly indicate that auditees do influence how PAs are conducted. AGO leaders distinguished between two different groups of auditees, with one group being supportive of PA activities and the other group contesting it. Those auditees who understand how the PA process works and value PAs as useful tool to improve their organisations' performance, openly engage with auditors and provide relevant audit information. On the other side are those auditees who do not see value in PAs, only begrudgingly provide audit information, often after a period of delay, and reluctantly answer questions posed by auditors. This suggests that there are variations in PA logics exhibited by auditees. Such logics can significantly affect both attitudes towards PAs and strategies for trying to manage the process and its outcomes. The former auditee group appears more disposed towards employing bridging strategies in dealing with the auditor and the PA process, while the latter group appears more disposed towards adopting buffering strategies.

The group of more resistant auditees perceives PA work as an intrusion and potentially a threat and therefore employs avoidance or resistance strategies. For instance, as outlined by interviewee 5, they bring *“significant new evidence to the table at a very late stage which then causes you to have to go back and do a new conduct phase almost.”* Interviewee 14 experienced a situation during the evidence gathering process, where auditees produced excuses such as *“sorry the person has gone on leave, they’ll be back next week”, “we are awfully busy”, “sorry he is ill now”,* and *“if you put your request in writing, we will put it to the senior person”*. Auditees also use the strategy of swamping auditors with documents, arguing as follows: *“here are 25 boxes of paper. There’s the stuff you need. It’s your job to go through it”* (interviewee 14). Another tactic emphasised by interviewee 2 is what is referred to as *“bully boy tactic”*, which auditees make use of if faced by inexperienced junior auditors.

In order to counteract such tactics employed by auditees, AGOs occasionally use the strategy of exerting pressures by outlining to them that the consequence of not acting upon recommendations is that issues will be elevated up to political levels, where PAC members publicly blame auditees in parliamentary hearings. Once more this reflects the influence of an auditor logic of facilitating accountability and attribution of blame. Nonetheless, auditees exhibit a range of responses to such PA recommendations. The comprehensive analysis of

auditees' responses to recommendations listed in relevant PA reports demonstrates a multiplicity of variable forms of how auditees phrase their responses. The researchers summarised auditee responses in **Table 3**, which illustrates that response categories ranged from total acceptance to complete rejection:

**Table 3: Categories of Auditee Responses to PA Recommendations**

<b>Acceptance:</b>
<b>Accept</b>
<b>Accept in principle</b>
<b>Agreed subject to negotiation</b>
<b>Conditional acceptance (e.g. subject to resources)</b>
<b>Agreement implied (from the comments made within the auditee response)</b>
<b>Partial agreement implied (from the comments made within the auditee response)</b>
<b>Rejection:</b>
<b>Reject</b>
<b>Rejection implied (from the comments)</b>
<b>Under consideration</b>
<b>Not applicable</b>
<b>Noted</b>
<b>No specific response to the recommendation</b>
<b>Obfuscation (e.g. lengthy narrative on agency operation)</b>

Arguably auditees' various expressions of rejection all most likely result in the complete rejection of recommendations or auditees' inactions, which also amounts to complete rejection. The varying degrees of acceptance suggest that auditees do not necessarily accept recommendations in full, but occasionally decide to, for instance, only accept recommendations partially. Analysis of published auditee responses to PA recommendations revealed that when recommendations were not accepted in full, auditees justified their decisions in different ways with reasons brought forward that were as diverse as their decisions to either accept or reject recommendations. What becomes evident here is that this considerable



variety of formal auditee responses to PA recommendations indicates a frequent auditee recourse to buffering strategies in response to what they may often see as a blaming logic underpinning PA reports and their recommendations. Their resistance is then expressed overtly or more covertly, through the range of responses identified in **Table 3**, and through the wide range of rationales revealed below.

Through a comprehensive analysis of PA reports, the researchers identified a total of 35 different rationales expressed by auditees. These 35 rationales could be narrowed down to 12 categories, which revolve around five major groups of response rationales: (1) benefits to the audited organisation, (2) feasibility of recommendations, (3) maintaining status quo, (4) externalising, and (5) self-defence.

Most positive rationales for the acceptance of recommendations expressed by auditees revolved around the *benefits to the audited organisation*. When recommendations appeared to offer direct benefits to the organisation, auditees were most likely to react positively and to accept the recommendation in full. This appeared to reflect situations where there is greater confluence between auditor and auditee PA logics, and a shared attitude to PAs for facilitating performance. More often expressed as auditee rationales for rejection were those which the researchers classified as *feasibility*. Those rationales referred to practicability, organisational suitability, qualified implementation approaches or alleged anticipated dysfunctional organisational impacts. Rationales listed in **Table 4**, clearly demonstrate that the acceptance of recommendations is expressed in terms of how valuable and useful auditees perceive PA recommendations to be for their organisations.

**Table 4: Auditees' Recommendation Implementation Approaches**

<b>Implementation approaches:</b>
<b>Will implement changes required (no qualifications)</b>
<b>Will implement changes required (including approach/plan/technical answer)</b>
<b>Will implement changes required subject to resource constraints</b>
<b>Will implement changes required subject to capacity to implement</b>
<b>Will implement changes required subject to prior implementation from other entities</b>
<b>Will implement as a framework, but wants to maintain flexibility</b>
<b>Will implement changes required through working with partner agencies</b>

<b>Will implement changes required subject to leadership from central agencies</b>
<b>Will implement changes required where appropriate</b>
<b>Will implement changes required subject to practical considerations</b>
<b>Will implement changes required through enhancements of existing systems and processes</b>

Another set of rationales was summarised under the group termed *maintaining status quo*: reasons provided by auditees were related to the argument that the programs and processes currently in place are adequate. From auditees' perspectives, there was no reason for changing a program or process that they considered to be already performing well. Another group of rationales emerging from the analysis of auditees' responses was classified as *externalising*. The rationales provided by auditees demonstrate their intention to shift responsibilities for the acceptance of recommendations to other public entities. Further, auditees sometimes clearly refuted their responsibility for the implementation of PA recommendations. In this regard auditees emphasised that recommendations occasionally touched upon policy issues, which they regarded as exceeding the scope of auditees' administrative areas.

Lastly, the researchers categorised a set of auditees' responses under *self-defence*. A strategy of self-defence occurred in form of contesting findings reported by performance auditors or procrastinating recommendation implementation actions. It appeared that auditees tend to contest auditors' findings when either no engagement or cooperation between them and performance auditors took place during and after the PA process, or the engagement and cooperation between the stakeholder groups was minimal. Statements made by auditees that they did not wish to comment on recommendations but would consider them in the future, arguably indicate auditees' intentions to procrastinate implementing them. More direct forms of self-defending behaviour were demonstrated when auditees stated in their responses that false assumptions were made by performance auditors and that PA findings were misleading. Such statements often imply the execution of non-cooperative games, whereby auditees did not get the chance to point performance auditors at e.g. factual mistakes in the PA report. The wide range of rejection rationales outlined above, suggest auditees' proactive employment of buffering strategies as they attempt to at least partially decouple their operations from external visibility and follow-up through offering modified or deferred forms of recommendation acceptances through to outright rejection. As the analysis of auditees' responses demonstrates, a wide range of responses at first sight indicate a strong degree of acceptance as illustrated in

**Table 5.** However, the evidence obtained in this study suggests that in practice, recommendations are in reality often ignored or rejected.

**Table 5: PA Recommendation Acceptance Rates 2001-2012**

	2001/ 02	2002/ 03	2003/ 04	2004/ 05	2005/ 06	2006/ 07	2007/ 08	2008/ 09	2009/ 10	2010/ 11	2011/ 12
NSW	53%	85%	89%	91%	93%	93%	90%	99%	92%	98%	98%
TAS			91%			60%	94%	74%	70%	74%	
VIC	58%	76%	90%	93%	97%			90%			99%
ANAO	91%	98%	97%	94%	99%	92%	93%	91%	93%	95%	95%
ACT								71%	72%	86%	81%
QLD	0%		100%	100%	100%	100%	100%		100%	95%	83%
WA	N/A										
NT	N/A										

Hence, caution is required when interpreting recommendation acceptance rates. In fact, auditees' complex patterns of strategic responses indicate that auditees are often resistant to recommendations although their published responses couched as buffering strategies, may suggest otherwise.

## Discussion and Conclusion

This study has revealed significant insights into both apparent auditor and auditee logics and attitudes to PA. While subject to variation between auditors and according to aspects of the PA process and outcomes, significant signs of auditors' preparedness to engage and consult with auditees are emerging. Such auditor preparedness to engage with stakeholders also appears to be extending to their engagement with parliamentarians. Similarly, the media is increasingly being taken into account by auditors, as a conduit to the general public. Thus compared with previous research, this study has specifically identified a broadening range of stakeholder focus being addressed by AGOs. Arguably, as indicated by Pierre and de Fine Licht (2019), this reflects some degree of shift in auditor PA logic, from an independent judge preserving total

control prerogative over PAs, towards at least a partial engagement as a stakeholder network collaborator, assuming both performance accountability and facilitation roles. Such findings show that communication and engagement between the actors enhances mutual cooperation in exercising the audit game, and can eventually benefit both parties, auditors and auditees (Cooper et al. 1989; King, 2002). However what our study also highlights is that the extent to which such shifting logics occur, appear to be governed by the AGO leaders' assessment and prioritisation of their desired control over the rules of the PA game, their interest in directly facilitating auditee cooperation and learning, and their PA role legitimisation through appealing to parliamentary and media interest in their reporting and critiquing issues which those parties can take up.

Arguably AGO interviewees revealed a multi-strategy approach, moving between the cooperative and non-cooperative audit game, to furthering their own logics through attracting and influencing the logics of other stakeholders. To this end, they were increasingly identifying the media as a primary intermediate stakeholder that offered them a pathway to appealing to and influencing the logics and reactions of four stakeholder groups: parliamentarians, government ministers, the general public and auditees. This was effectively a bridging strategy by which the AGO's own technical agenda was being pursued through a strategy of co-operative collaboration with the media as a conduit to other stakeholders. Hence this study adds to our pre-existing understanding of the auditor-media relationship in identifying the auditors' approach to and rationale for their media bridging strategy. In pursuing its own institutional logics of identifying and publicising issues, acting as a public scrutineer of government service delivery and financial management, and maintaining reader interest, the media could be attracted by the AGO to convey its (the AGO's) desired messages to the other stakeholders. This agenda appeared to be designed to not only penetrate various other stakeholders' logics and influence their understanding of issues and performance audit recommendations, but to trigger reactions and corrective actions aligned with AG logics and intentions. At the same time, AG leaders admitted to varying degrees that stakeholders such as the media were influencing their performance audit reports' shape: in terms of format, style, vocabulary, issues highlighted, executive summaries and online delivery. This extends beyond prior literature understandings in recognising the potential influence on PA report format, language and content ensuing through a stakeholder cooperation strategy. In this sense, from a game theoretic perspective, the media emerges as another stakeholder and cooperative strategic partner with the auditor where each party exercises reciprocal influence on the other. However again, this

arguably reflected an AG logic of targeting media attention and comprehension as a pathway to reaching and influencing other stakeholder groups' logics and ultimately triggering actions that served the AGOs' own institutional logics.

Just as AGO leaders exhibit variations in their dominant PA logics, so auditees also appear to vary in their applied PA logics. This is most clearly exhibited in their reactions to PA report findings and recommendations. Where they see the auditors' PA approach as consultative and facilitating, and the recommendations as appealing and practicable, they appear more likely to accept PA as a constructive contributor to the organisation and demonstrate a willingness to adopt recommendations made. Their logic leans towards recommendation acceptance and appreciation of PAs as a supportive tool. Where they suspect a blame-oriented, and publicity seeking PA process and reporting approach, they are more likely to adopt a resistance attitude to the audit game and its outcomes. The auditee logic then leans towards a non-cooperative, defensive and contesting attitude.

Once again interpreting PA engagement strategies from a game theoretic perspective, those AGO leaders who are prepared to develop some degrees of communication and consultation with auditees, appear to be moving towards trying to create some greater cooperation and sharing of logics regarding PA intent and process. They appear to be prepared to shift their PA logic with the intent of encouraging a shift in auditee PA logic. The dual auditor strategy is one of contribution to auditee performance at the same time as delivering accountability to parliament and public. Hence we add to the previous literature in penetrating a little more clearly the balancing act undertaken by auditors who are trying to discharge their accountability obligations while triggering productive change in auditee operations. Thus, arguably an expanded suite of stakeholders are being addressed in auditors' bridging strategies to shape the PA game, as through networking and communication, they work towards gradually changing auditors', auditees' and other stakeholders' PA logics in the hope of producing closer cooperation while still meeting the various players' agendas. For the auditor, this entails some movement towards a balance between greater stakeholder engagement and preservation of their own PA prerogatives and control. Such a strategy potentially carries the flow-on benefits of, for example, reaching the public through the media conduit and at the same time encouraging positive auditee response. Such engagement strategy also appears to incorporate considerable emphasis on reports tailored to the interests and in the language of priority target audiences. In this way, the vocabularies of motive and shared understandings of how PAs and their consequences are played out, are intertwined and mutually reinforcing. These various strategic

agendas appear to encourage auditors to adopt these various bridging strategies as pathways to engagement and auditee resistance management as well as enhanced PA outcomes.

Where auditees appreciate consultations with auditors in form of cooperation, and choose to commence sharing some aspects of auditors' PA logics, they may become more receptive to and themselves disposed towards bridging strategies when engaging with auditors. Resistance by auditees appears to respond to their perceptions of judgemental and blaming logics being applied to them via auditors' PA activities. They are then more likely to adopt buffering strategies in response. This has been most evident in their buffering strategies employed through their formally published responses to PA report recommendations, where ample evidence of overt or subtle resistance was detected. This for example takes the form of outright rejection, conditional acceptance, partial agreement, agreement 'in principle' or qualified, deferred, and contingent promises to implement changes. Such buffering responses appear quite numerous and sophisticated, particularly in the vocabulary employed. These provide ample examples of vocabulary being employed to defend the auditees' logic and rebut the auditor's logic.

This study's conclusions are consistent with findings of prior PA research findings produced by such as Gendron et al. (2007), Lonsdale (2008), Reichborn-Kjennerud (2014), and Pierre and de Fine Licht (2019). However, what this study particularly and uniquely identifies is the close relationship between performance auditors' and auditees' logics, those stakeholders' approaches to PA engagement, and auditees' responses to PA report findings. In many cases, it reflects attempts at a cooperative (or alternatively non-cooperative) game strategy. It also highlights the developing sophistication of both auditor and auditee bridging and buffering strategies, while nonetheless acknowledging considerable variation within these two groups that is apparently conditioned by the perceptions of the other party's dominant logic. As Sweeney and Pierce (2011) stated, in coping with conflicts that arise during the PA, game playing occurs between auditors and auditees. These games are a form of defence mechanism employed by either auditors or auditees to avoid being publicly embarrassed and held to account. For auditors and auditees such defence mechanisms can be favourable and unfavourable. Buffering strategies may be favourable in that they allow auditors or auditees to protect their interests. However, as emphasised by Sweeney and Pierce (2011), in the audit game, particularly for auditees it is important to engage and cover up potential inefficiencies (as well as misconduct and fraud). Thus, defensive non-cooperative gaming behaviour may have as a consequence, imperfect and asymmetric information.

Accordingly the rules of the PA game continue to be shaped by auditor-auditee relationships and interaction, but remain somewhat contested. In the meantime, competing logics are in some respects drawn closer together and in other respects allowed to coexist, albeit in uneasy partnership. From a game theory perspective, the findings of this study support Holler and Nguyen's (2007) conclusions that in auditors' and auditees' strategic behaviour, there is no simple strategic Nash equilibrium, but different equilibria that are reached depending on the institutional logics applied by each actor. More precisely, this study adds that by moving between the cooperative and non-cooperative PA game, auditors and auditees adopt strategic approaches that assist them to pursue their own logics while influencing the logics of other stakeholders. This study also moves our PA understandings forward beyond the prior literature in identifying a vastly more varied and sophisticated array of auditee buffering strategies via multiple forms and vocabularies of formal response to PA recommendations. Similarly, the rationales for those varied responses exhibit a wide range of auditee justifications advanced in defence of their control over their organisational prerogatives.

The conclusions of this study offer further pathways towards further research into the PA process and its outcomes. For instance, the examination of the extent to which auditors' and auditees' logics affect PA outcomes opens up an avenue for further research. This investigation may provide insights into what kind of logics facilitate positive PA outcomes, and what logics hamper PAs from contributing to audited organisations' performance improvement. In this regard, it may also be worthwhile to examine the logics of other stakeholders such as parliamentarians and journalists, who appear to influence performance auditors' and auditees' logics as demonstrated in this study. Our understanding of auditor and auditee engagement in the PA process would also be enhanced by further examining how auditee/auditor relationships play out in particular contexts via a multiple case study approach that considers the historical context (economic, political, social, institutional etc) surrounding the issues, organisations and audits at the time, as well as targetting interviews with audit teams and auditees who were directly involved. Furthermore, investigation of auditee and other stakeholders' experiences and perceptions of consultative performance auditor approaches can further illuminate such approaches' implementation and effectiveness. For example further insights may be afforded by analysing PA recommendation acceptance rates in relation to perceived (auditor and auditee) auditors' engagement strategies (non-engagement vs engagement). However a further essential strategy will entail not only analyses of published reports and responses, but the extension of survey and interview investigations into both auditor and auditee attitudes and

interactions. This offers our best prospect of securing an integrated, multidimensional perspective through auditor, auditee and other stakeholders' verbal accounts and explanations, and through further analyses of performance audit reports and published auditee responses.



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