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# Value for money and the rule of law: the (new) performance audit in Sweden

Value for money and the rule of law

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## Abstract

**Purpose** – This paper aims to develop a classification scheme of different types of value for money (VFM) audits with different degrees of compliance audit, and to classify the performance audits carried out by the Swedish National Audit Office (SNAO) during its first six years as an independent state audit organization reporting to parliament.

**Design/methodology/approach** – The empirical data were gathered from all of the 150 audit reports published by the SNAO from its establishment in 2003 to the end of 2008. Seminars were arranged to discuss the classifications for validation.

**Findings** – The focus on traditional VFM audits (the “Three Es”) is unusual. Most audits carried out by the SNAO combine different types of extended VFM audits with compliance audit. On the one hand, they audit how the government and/or central agencies fulfil their mandates (from good to bad). On the other, they audit how the government and/or central agencies adhere to legislation, rules and policies (right or wrong). In some cases, the SNAO equates compliance audit with performance audit.

Mandate "discharge":  
- law and spirit  
- outcome focused  
Policy "discharge"  
- law only  
- objective focused  
- outcome indifferent  
What are the criteria of strength?

**Practical implications** – The authors have verbalised and visualised performance audit activities of interest not only to state auditors, but also to external stakeholders. One practical implication is that the Swedish national audit committee has conducted an evaluation of the SNAO that is partly based on the national report of this study, and has proposed a stronger focus on the Three Es. What are the

**Originality/value** – The study addresses a new approach in terms of a classification scheme for performance audits, consisting of eight types of VFM audits and three degrees of compliance audit, and creating 24 possible combinations.

**Keywords** Performance measures, Auditing, Value analysis, Sweden, Public sector organizations

Explore "value-analysis"

**Paper type** Research paper

## Introduction

National audit offices are designed to examine the performance of public organizations in order to ensure citizens receive value for their taxes (Jacobs, 1998; Guthrie and Parker, 1999; Morin, 2003). However, these audits are complex by nature (Funnell, 1998; Dittenhofer, 2001) and there are as yet no generally accepted auditing standards (Bowerman *et al.*, 2003). In fact, there exists no general agreement on a distinct definition of performance audit (Pollitt, 2003; English, 2007). The International Organisation of Supreme Audit Institutions (INTOSAI), introduces the concept in its Lima Declaration of 1997:

Performance audit is oriented towards examining the performance, economy, efficiency and effectiveness of public administration. Performance audit covers not only specific financial operations, but the full range of government activity including both organisational and administrative systems (INTOSAI, 1997, section 4.2).

Ascertain the status of INTOSAI



Performance audits are often perceived to be synonymous with value for money (VFM) audits, and traditional elements in such audits are economy, efficiency and effectiveness – often referred to as the “Three Es” (Power, 1997). Over time, however, there has been a tendency towards expanding VFM audits’ breadth of coverage (Pollitt *et al.*, 1999; Vikkelso, 2007). Bowerman (1996) suggests an extended and broad-based view, as she includes “everything from economy to policy”.

Another view is that accountability or compliance can be included in performance audits. An examination of an organization’s adherence to legislation, rules and policies evaluate how those responsible have met such requirements. INTOSAI (2004, part 1.8) states that:

Auditing accountability can be described as judging how well those responsible at different levels have reached relevant goals and met other requirements for which they are fully accountable.

There are different opinions about what types of audits would be best suited for assessing the performance of public organizations in terms of providing value for money, and opinions also differ over whether and to what extent compliance orientation may be included in performance audits (Pollitt *et al.*, 1999; Lonsdale, 2008). One assumption is that the country in which the audit is completed matters (Pollitt *et al.*, 1999; Pollitt, 2003), and that a study of a rather special and relatively unexplored country such as Sweden could help advance our understanding of performance audit regarding both traditional and extended VFM audit, as well as compliance audit.

The establishment of the Swedish National Audit Office (SNAO) in July 2003 was the result of a merger between two predecessors: Riksrevisionsverket (RRV) and the Parliamentary Auditors (PA) (Bringselius, 2008). Before the merger, Sweden was one of a few Western democracies without independent state auditors reporting to parliament. With the establishment of the SNAO, Sweden had a new, coherent audit office with strong constitutional support and a mandate for conducting performance audits. Today, the SNAO undertakes approximately 30 audits annually and is led by three Auditor Generals, who both jointly and independently determine the audit agenda, how the audits will be conducted, and their conclusions. The Auditor Generals interpret their performance audit mandate outlined in the Auditing of State Activities, Etc. Act (2002) as including both VFM audit and compliance audit.

The purpose of the current study is twofold: first, to develop a classification scheme of different types of VFM audits and different degrees of compliance audit, and second, to classify the performance audits carried out by the SNAO during its first six years as an independent state audit organization reporting to parliament.

Our paper may be of interest for several reasons. First, it addresses a classification scheme. Even though other scholars have addressed performance audit issues (Power, 1997; Funnell, 1998; Guthrie and Parker, 1999; Dittenhofer, 2001; Bowerman *et al.*, 2003; Broadbent and Laughlin, 2003; Pollitt, 2003; Gendron *et al.*, 2007; Lonsdale, 2008), we have seen few attempts to classify performance audits conducted in terms of VFM and/or compliance. Second, the Swedish public administration model is unique for its long history of devolving responsibility to central agencies. The central government is comprised of a large number of autonomous agencies that are held accountable to a few government ministries. In contrast to government ministries, the agencies are administered by a large number of employees. In addition, the possibility of direct

ministerial intervention in operating matters is circumscribed by the legislative framework (Modell and Grönlund, 2007), which makes the work of the national audit office of particular interest. Third, despite the growing volume of literature on performance audit in western democracies, including Sweden's neighbouring countries (Johnsen *et al.*, 2001; Skærbæk, 2009), little is known about the practice of independent state audit in Sweden when examining the government and/or its central agencies and reporting to parliament. Pollitt *et al.* (1999) examined the issue when the former state audit organization, RRV, was under direct control of the government.

The remainder of this paper is structured as follows: in the frame of reference we develop a classification scheme, after which the method for data collection and analysis are elucidated. The findings of the study are then presented, followed by a discussion in the concluding section.

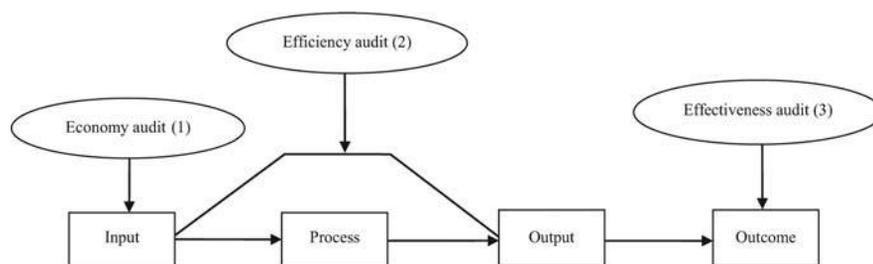
### Frame of reference

#### *Traditional types of VFM audits*

All activities within the public sector are intended to be useful for citizens. It is therefore important that input, via different processes, can be transformed to output (services or products) with a satisfying outcome. This can be illustrated by the value chain model (Modell and Grönlund, 2006). While the monitoring of public organizations was long focused on input, process and output, a gradual increase in emphasis on outcome indicators has been discernible since the late 1990s (Modell, 2006).

There is a relatively strong consensus that the Three Es represent the traditional types of VFM audits (Power, 1997; Pollitt *et al.*, 1999; Dittenhofer, 2001; Broadbent and Laughlin, 2003). Common denominators between economy, efficiency and effectiveness (hereafter referred to as audit types 1-3) are the emphasis on public organizations' core activities, and quantification and measurement (Guthrie and Parker, 1999; Pollitt *et al.*, 1999; Lonsdale, 2008). An economy audit (audit type 1) is focused on examining input in terms of how well the cost of these resources are minimised. An efficiency audit (audit type 2) relates to the relationship between output and the input used to produce services or products. An effectiveness audit (audit type 3) focuses on the extent to which goals are achieved. Figure 1 demonstrates the relationships between the three audit types and the value chain (see Pollitt *et al.*, 1999).

The Three Es appears in INTOSAI's Lima Declaration of 1997, and have been reported in several countries. The Danish NAO has an orientation towards efficiency (Skærbæk, 2009), and state auditors in Canada (Radcliff, 1998), Australia (Funnell, 1998; Guthrie and Parker, 1999), New Zealand (Jacobs, 1998) and Great Britain



**Figure 1.**  
The Three Es related to  
the value chain

(Lonsdale, 2008) were, at least initially, auditing economy and efficiency to a relatively large extent.

#### *Extended types of VFM audits*

Even if VFM audits are formally oriented towards the Three Es, it is not unusual to see audits taking other directions in practice (Guthrie and Parker, 1999; Pollitt, 2003; English, 2007). Jacobs (1998) and Gendron *et al.* (2001) suggest that a reason for this is that state auditors try to meet new demands for their activities. Another reason can be related to the false impression of a linear transformation of resources to output and outcome through processes. Such a description does not take the complexity of public “life” into consideration (Kyrillidou, 2002; Premfors and Sundström, 2007). Consequently, it can be difficult to measure economy, efficiency and effectiveness in such a complex reality.

In addition to the Three Es, other types of VFM audits have been discussed (see Bowerman, 1996). Even if it may be difficult to always draw a clear line between different audit types (see Pollitt *et al.*, 1999), we claim that it is possible to find at least four extended types of VFM audits in the literature.

A distinction between substance and systems is based on whether the audit concerns an organization’s core activities (substance) or the systems developed in order to manage and control the activities (Power, 1997; Pollitt *et al.*, 1999). According to INTOSAI (1997), it can be appropriate to examine both core activities and control/supporting systems, since the latter often influence the extent to which goals are attained. Pollitt *et al.* (1999) stress that Sweden’s RRV often conducted audits both with respect to core activities and systems, and Power (2003) identifies an augmented audit focus on the systems or the control of the organization’s own controls. Audits of control or supporting systems are also emphasised by public audit entities in Canada (Gendron *et al.*, 2007). Thus, we classify system audit as the first extended type of VFM audit (audit type 4). It shall be noted that audits of control or supporting systems often have a weak connection to financial calculations (Dittenhofer, 2001).

Examinations of the information that government or central agencies provide and produce can also be regarded as a type of extended VFM audit (Bowerman, 1996). Information and communications are often taken as a proxy for other administrative activities such as organizing and monitoring (Power, 2007), and good or bad administration in a broader perspective can be a criterion for motivating VFM audits (Pollitt, 2003). Hence, we call the fifth audit type administration audit, which covers the government’s and/or central agencies’ administrative activities including the reporting between parliament, government and central agencies. Financial calculations are normally not emphasised in this type of audit (see Bowerman, 1996).

An audit orientation towards goals is emphasised by INTOSAI (2004). However, it has been found difficult to audit the outcome of public activities (Gendron *et al.*, 2001; Broadbent and Laughlin, 2003), as goals have a tendency to be ambiguous and sometimes contradictory. Moreover, the relationship between cause and effect is normally complicated, making it difficult to isolate the outcome of a specific organization’s activity (Broadbent and Laughlin, 2003; Sanger, 2008). As public activities are carried out in ways that make the outcome difficult to measure with quantitative methods, it can be complicated to carry out a traditional effectiveness audit. Thus, the sixth audit type, goal-related audit, has a role within extended VFM audit. This audit type may examine whether goals have been formulated or if goals are

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clear, unambiguous or not contradictory at different levels in an organization (see Gendron *et al.*, 2007).

A policy audit examines whether political programmes are appropriate from a financial perspective (Bowerman, 1996). Large-scale political programmes (such as foreign policy) exist outside the domain of VFM audit, but state auditors may examine how a foreign ministry manages a crisis situation. A policy audit can also review whether or not an Olympic Games had achieved its anticipated financial success, or focus on other time-limited projects with specific goals. This seventh type of audit is supported by Dittenhofer (2001) and Pollitt *et al.* (1999), and is carried out in Canada (Gendron *et al.*, 2007) and Great Britain (Lonsdale, 2008).

Considering the SNAO's broad interpretation of their mandate in the Auditing of State Activities, etc. Act (2002), it might be possible to find empirical support for yet another audit type. A contingent eighth audit type regards all other possible forms of VFM audits. It is also possible that the SNAO will compare performance between similar public organizations in order to identify best practices (see Bowerman, 1996), irrespective of audit type.

#### *Compliance audit*

An audit that occupies the space between how the government and/or central agencies create value for money (good or bad), and how they comply with legislation, rules and policies (right or wrong), can be viewed from different perspectives. On the one hand, it can be argued that a compliance orientation would not address the Three Es (Pollitt, 2003), and that VFM audit and compliance audit are two different issues (Funnell, 1998; Sharma, 2007). According to this view, it is not desirable to include compliance in performance audit (Behn, 2001). On the other hand, it is possible to argue that contravening the rules can be both detrimental and demoralising to an organization, and that adherence to legislation, rules and policies can contribute to value for money (Olsen, 2005; Goolsarran, 2007). INTOSAI (1997, 2004) suggests that it can be adequate to examine a public organization's level of compliance, if it is significant for the output and outcome of the organization's activities. A certain degree of compliance orientation in performance audits has been observed in Denmark (Justesen and Skærbæk, 2005) and Canada (Gendron *et al.*, 2007), and a strong such degree is reported from Brunei (Athmay, 2008).

According to Pollitt *et al.* (1999), the degree of compliance audit depends on whether one or more public organizations are audited. The authors claim that it is normally easier to carry out compliance audit when only one organization is being reviewed (single-organization audits) rather than several (multi-organization audits). It is also claimed that the auditors' habits influence how the audits are carried out (Pollitt *et al.*, 1999; Öhman *et al.*, 2006; Athmay, 2008). Accordingly, the work of the state auditors may become rather unilateral, such as with compliance issues.

#### *The classification scheme*

As a result of the lack of a commonly ratified classification, we have divided performance audit into VFM and compliance. We have discussed eight types of VFM audits and three degrees of compliance audit; Table I shows the 24 possible combinations. An economy audit with no degree of compliance audit is indicated as 1:0,

**Table I.**  
The classification scheme

Degree of compliance audit	Economy (1)	Efficiency (2)	Effectiveness (3)	Audit type			Policy (7)	Empirically (8)
				System (4)	Administration (5)	Goal-related (6)		
No degree (0)	1:0	2:0	3:0	4:0	5:0	6:0	7:0	8:0
Some degree (1)	1:1	2:1	3:1	4:1	5:1	6:1	7:1	8:1
Strong degree (2)	1:2	2:2	3:2	4:2	5:2	6:2	7:2	8:2

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and an empirically-grounded audit with a strong degree of compliance audit is indicated as 8:2. Value for money  
and the rule  
of law

### Method

The empirical data were gathered from the 150 audit reports published by the SNAO from its establishment in 2003 to the end of 2008. When classifying the reports we used a comprehensive data collection scheme, where only a few of the variables are relevant for this paper. One of these variables is the public organization/organizations that were audited. We also included the types of VFM audit described above and the degree of compliance audit (“none”, “some” or “strong”). Compliance audit includes adherence to legislation, rules and policies, but not to guidelines (since they are not conclusive). A “strong” degree indicates that compliance orientation plays a prominent role in the audit report. In addition, we classified the extent to which the SNAO carries out its own financial calculations (“none”, “some” or “strong”). A “strong” degree demands four or more financial calculations presented in the audit report.

Despite our ambition to develop a classification scheme, we recognised the problem in translating diverse and complex audit reports into a few distinct categories or into single figures (see Miller, 2001). This quantification is a pursuit of objectivity, but it is not independent of the particular people who make it (Porter, 1995). Consequently, several steps were taken with this in mind when we collected and analysed the data.

First, we arranged a seminar with research colleagues at Stockholm University to discuss the design of the study, the classification scheme, and methodological issues related to the classification of qualitative reports into distinct quantitative audit types. Second, all three of us classified all 150 audit reports separately. We focused particularly on the sections regarding audit questions, purposes and conclusions. In most cases we classified the audits as one audit type only. As different audit types can be included simultaneously (Pollitt *et al.*, 1999), some audits were classified as having one type dominating and one audit type playing a complementary role. However, we were relatively restrictive, by classifying an audit as belonging to more than one audit type. Third, we compared our assessments and discussed the cases where our classifications differed until we arrived at an agreement. The most contentious part of the classification process was deciding whether some of the audits included more than one audit type or not and, in some cases, deciding which audit type was dominating and which one was playing a complementary role. Fourth, we met with SNAO representatives to discuss our classifications for validation. In these meetings we had the opportunity to discuss the cases where we were not sure about the classifications; these discussions resulted in minor adjustments. Fifth, we were invited to a seminar at the Swedish parliament to present the study for the Swedish national audit committee, and discuss the classification scheme and the classifications made. Sixth, we analysed the findings by a one-proportion test to explore statistically significant differences in audit orientation towards the Three Es (audit types 1-3) versus other audit types, towards goals (audit types 3 and 6) versus other audit types, towards compliance audit (“some” or “strong” degree) versus no compliance audit, and towards financial calculations (“some” or “strong” degree) versus no financial calculations. These differences are statistically significant at the 5 per cent level.

### Findings

Given the traditional purpose of VFM audits, one could imagine that the audit reports would be dominated by elements of economy, efficiency and effectiveness. This is not the case: only 18 of the 150 audits carried out by the SNAO are primarily focused on the Three Es (audit types 1-3). It shall be noted that we classified 32 audits as including more than one audit type; the Three Es became slightly more prominent when accounting for this. However, the hierarchy between the different audit types remains the same. When only considering the dominant audit type, the last row in Table II shows that 60 audits were classified as administration audits (5). These audits concern how management organizes, monitors, coordinates and reports their activities. Other rather common audit types are system audit (4), goal-related audit (6) and empirically-grounded audit (8). Policy audit (7) is as unusual as the Three Es. The table also indicates that an audit orientation towards goals (audit types 3 and 6) is less prominent.

The last column in Table II shows that two out of three audits contain elements of compliance to “some” degree (59 reports) or a “strong” degree (42 reports). When audit type is related to the degree of compliance audit undertaken, certain patterns are revealed. Among other things, the table shows that empirically-grounded audit (8) can be considered to be governed by compliance audit, since this is the common denominator for 16 of the 18 audits. In these cases, the SNAO examined adherence to legislation, rules and policies with respect to governmental surveillance, entertainment expenses or external reporting (annual reports). The two remaining audit reports are neither classified as traditional or extended VFM audits (audit types 1-7), nor included any elements of compliance audit (degrees 1-2). In these cases, the annual reports from the government were audited without any focus on legislation, rules or policies.

According to Table II, the SNAO has taken a rather multifaceted audit approach. Performance audits are carried out in 19 of the 24 fields in the matrix. In the traditional VFM audit types (1-3), there are examples of audits with no elements of compliance audit, as well as audits that do include such elements. Likewise, the audits classified as extended VFM audit types (4-7) have different degrees of compliance audit.

Another finding is that less than one-third of the audit reports contain financial calculations to “some” degree or to a “strong” degree. Conversely, more than two-thirds of the audits do not include financial calculations. Yet in some cases numbers are included regarding frequency (number of times a certain occurrence took place), or changes over time (number of handled matters). All told, the SNAO rarely carries out its own financial calculations.

It can also be noted that a great majority of the audits conducted by the SNAO were classified as multi-organization audits, and that the government is included in a great majority of these audits. Only 33 audits are limited to one organization. In 24 of these single-organization audits, the government is the subject. Consequently, the number of examinations including the government is high (131 audit reports).

### Discussion and conclusion

#### *Type of VFM audits*

Audits of the performance of public organizations are far from uniform (Pollitt *et al.*, 1999; Bowerman *et al.*, 2003; Vikkelso, 2007). The SNAO covers eight different audit types, which supports the view that VFM audits are complex by nature (see Funnell,

Degree of compliance audit	Audit type							Total	
	Economy (1)	Efficiency (2)	Effectiveness (3)	System (4)	Administration (5)	Goal-related (6)	Policy (7)		Empirically (8)
No degree (0)	3	3	–	13	19	6	3	2	49
Some degree (1)	4	4	2	2	32	13	2	–	59
Strong degree (2)	2	–	–	8	9	7	–	16	42
Total	9	7	2	23	60	26	5	18	150

Value for money  
and the rule  
of law

115

**Table II.**  
Classification of the 150  
audit reports published  
by the SNAO

1998; Dittenhofer, 2001). Furthermore, the fact that several audits include more than one audit type suggests that it is difficult to consistently draw a clear line between different audit types (see Pollitt *et al.*, 1999), particularly when more than one organization is examined.

The observation that the SNAO mainly carries out audit types other than the Three Es can be compared to similar findings in other countries (Jacobs, 1998; Guthrie and Parker, 1999; English, 2007; Gendron *et al.*, 2007). However, such an orientation is not supported by INTOSAI (1997, 2004). It is therefore possible that the focus on extended audit types is an attempt by the SNAO to meet special requirements generated by the Swedish public administration model. Another reason could be that the choices of methods serve to distance state auditors from traditional value for money audits. Quantitative methods are required to measure productivity and carry out efficiency audits (2), which is a main focus in neighbouring Denmark (Skærbæk, 2009). The methods used by the SNAO seem to be more appropriate for both administration audit (5) and system audit (4). It is also reasonable to believe that the SNAO has difficulties in measuring goals of the government and/or the central agencies (see Gendron *et al.*, 2007). As a consequence, goal-related audit (6) can be seen as a substitute for effectiveness audit (3).

As indicated, a lack of emphasis on financial calculations does not support traditional VFM audits. In this study, financial calculations are not prominent in audit types other than the Three Es. System audits (4) are usually conducted without using quantitative methods (Dittenhofer, 2001). It is only when this audit type is combined with another audit type that financial calculations can be found in the studied audit reports. A similar pattern appears in the administration audits (5) and the goal-related audits (6), which may be explained by difficulties in measuring administrative activities (see Bowerman, 1996) and outcomes of public organizations (see Gendron *et al.*, 2001; Broadbent and Laughlin, 2003; Gendron *et al.*, 2007; Sanger, 2008).

The fact that the audit orientation towards the public organizations' achievement of goals is not prominent suggests that the SNAO has not conformed to the gradual increase of emphasis on outcome indicators (see Modell, 2006). Instead, the rather frequent orientation towards administration audit (5) and system audit (4) implies that the SNAO is interested in the administrative activities and the systems developed to manage and control core activities. Pollitt *et al.* (1999) made a similar observation in their study of the Swedish RRV, and this focus is in line with what Power (2003) calls "control of control". Furthermore, many of the audits carried out by the SNAO concern similar matters, such as the security of information technology systems or protection against bribes and synthesis reports are written as a result. According to Bowerman's (1996) terminology, the synthesis reports can be related to comparative audit, even though the SNAO did not establish a best practice in these audit reports.

#### *Degree of compliance audit*

The focus on compliance audit is not surprising given the broad interpretation of the performance audit mandate by the three Auditor Generals. The orientation towards adherence to legislation, rules and policies is not unique to the SNAO. Compliance audit has been included in performance audits in Denmark (Justesen and Skærbæk, 2005) and Canada (Gendron *et al.*, 2007). However, what is rather unique in Sweden is that compliance audits are, in some cases, considered equal to performance audits. This

approach is questioned by Behn (2001), although it is found in a country such as Brunei (Athmay, 2008).

According to Pollitt *et al.* (1999), it is easier to focus on the rule of law when examining one public organization instead of several. However, in this study we were unable to find a connection between the number of audited organizations and the degree of compliance audit. The compliance orientation also appears frequently in multi-organization audits.

*Concluding remarks regarding types of VFM audits and degree of compliance audit*

Only one of every six audits in audit types 1-7 have a strong degree of compliance audit. This limited portion implies that performance audits assessing the value for money of public organizations can be hard to combine with performance audits assessing accountability (see Funnell, 1998; Pollitt, 2003; Sharma, 2007). However, as can be seen in Table III, almost two of every three audits in audit types 1-7 have elements (“some” or “strong” degree) of compliance audit. This implies that the SNAO regards the connection between value for money and compliance as both possible and adequate (see Olsen, 2005; Goolsarran, 2007).

The conclusion is that the SNAO, to a relatively great extent, strikes a balance between auditing how central agencies and/or the government fulfil their mandates (from good to bad), and how well they adhere to legislation, rules and policies (right or wrong). Table III shows that 85 audits (12 + 73) are characterised by traditional or extended VFM audit and have “some” or a “strong” degree of compliance audit. In 16 cases, compliance audit is equal to performance audit. In 47 audits (6 + 41) the SNAO only consider value for money. The two remaining audits stand out as odd examples among the other audits conducted.

Even though the SNAO shows a broad spectrum of audit types, the three traditional types (economy, efficiency and effectiveness audits) are not prominent. This finding holds whether there is focus placed on the dominant audit type or whether the focus also includes the complementary audit type. In addition to the reasons discussed earlier – choice of methods and the difficulties in measuring goals – force of habit may also be hindering state auditors from adopting INTOSAI’s guidelines in this respect (see Pollitt *et al.*, 1999; Öhman *et al.*, 2006; Athmay, 2008).

One plausible explanation for the compliance orientation demonstrated in Table III could be that the establishment of the SNAO as independent from the government broadened the audit mandate to also include the examination of the government itself. More than 130 of the 150 audits carried out include the government, and in these cases a variety of compliances issues are at stake. A further explanation could be the Swedish public administration model, which has few small government ministries and

Degree of compliance audit	Audit type			Total
	Traditional VFM (1-3)	Extended VFM (4-7)	Empirically-grounded VFM (8)	
0 (no degree)	6	41	2	49
1-2 (some or strong degree)	12	73	16	101
Total	18	114	18	150

**Table III.**  
The Swedish approach  
considering type of VFM  
audit and compliance  
audit

autonomous central agencies (Modell and Grönlund, 2007). The SNAO seems to view this unique situation as demanding a regular examination of the central agencies also with respect to the rule of law, since parliament cannot devolve control of autonomous agencies to government. A third explanation could be that both the government and one or more central agencies are included in most of the audits carried out by the SNAO. The state auditors seem to prioritise multi-organization audits, and to evaluate how those responsible have met the requirements for which they are fully accountable. Considering that these three arguments all point in the same direction we have reason to believe that they support the described compliance orientation of the performance audits conducted by the SNAO.

A practical implication of this study is that we have translated and diffused research knowledge into practice. The study has verbalised and visualised the activities of the SNAO regarding performance audit. The classifications made, with eight types of VFM audits and three degrees of compliance audit, are of interest not only for the state auditors but also for external stakeholders. Indeed, the Swedish parliamentary committee has conducted an evaluation of the SNAO (Riksrevisionsutredningen, 2009) partly based on our national report of this study. The evaluation proposes a much stronger focus on the Three Es in future audits.

#### *Limitations and suggestions for further research*

We recognise a number of limitations of this study and suggest issues that merit future research.

First, we are aware that the value chain does not take the complexity of public administration into consideration. Therefore, in further studies it may be important to develop the frame of reference of current public governance research from the political science field (see Premfors and Sundström, 2007). Such a frame of reference may also create a partially new approach regarding the transformation of diverse and complex information in audit reports into a classification scheme. We foresee several possibilities in developing the extended audit types as well as the empirically grounded audit. We are also aware of the difficulties in making general conclusions based only on findings from the Swedish context. Future research projects within this area will preferably be conducted in other countries, so that performance audits carried out by national audit offices in different countries with different public administration models can be compared. For example, a comparative study of other Scandinavian countries may bring further knowledge to the findings of this study.

Another question for further research concerns the possibility of examining the government's and/or the central agencies' performance with a focus on both VFM audits (from good to bad) and compliance audits (right or wrong). Such a balance may influence the choice of methods and the quality of the audits conducted. A related question concerns how to balance the auditor's role as supervisor and the auditor's role as advisor. According to Morin (2003), the auditor's background and experience has an impact on which of the two roles will be dominant. The role as supervisor has a tendency to lead to an orientation towards accountability and compliance, whereas the role as advisor has a tendency to lead to an orientation towards value for money.

The issue of materiality and risk may also be of interest for further research. At the seminar with the Swedish national audit committee, we were encouraged to further investigate the relationship between the audits conducted by SNAO, and the state

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budget and its 27 expenditure areas. We found that the SNAO prioritise some expenditure areas more than others, whereas parliament sets other priorities based on political considerations. Two expenditure areas are not audited at all, even though they represent approximately 13 per cent of the state budget. Consequently, it seems as though the state auditors habitually regard some expenditure areas as less essential and less risky to audit (see English, 2007).

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