



4th International Conference on
Public Policy (ICPP4)
June 26-28, 2019 – Montréal

Panel T08-P17 Session 2

*Democratic Experimentation and Public Policies in Latin America: Challenges
and Perspectives*

Title of the paper

*Citizen Audit Project: Coproduction and innovation in the evaluation of public
services*

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Keywords: internal audit; participatory audit; evaluation of public services; co-production; public sector innovation.

Date of presentation

June 26th, 2019

1- INTRODUCTION

It is common sense that public administration should provide better services and optimize costs, in order to fulfill its role without increasing tax burden, thus enabling nations' social and economic development. This notion is present, regardless of the discussion on the ideal size of the State or on how services are provided, directly or indirectly, through contracts with the private or the third sector. Public sector innovation is an alternative to deal with this challenge, because new answers are necessary to



address wicked problems (Torfing, 2013; Osborne & Strokosch, 2013; Ansell & Torfing, 2014).

By assuming public sector innovation in services, the strategy of co-production plays a key role, since service is, by nature, co-produced (Osborne, 2013). This allows the incorporation of users' knowledge and their specific experience on the conditions and locations where public services are rendered, in order to reshape their design and the way of delivery (Boyle & Harris, 2009; Osborne & Strokosch, 2013). On the other hand, just as innovation requires co-production, this often generates demands for more innovation, since the needs that emerge from interacting with society may require non-existing processes and services from the public sector. In this perspective, the two concepts are interconnected.

To assist in the process of remodeling public services, public administration relies on internal audit, which provides objective and impersonal assessments and consulting, for organizations to achieve their goals (Institute of Internal Auditors [IIA], 2016). In turn, for taking into account the contributions from citizen users, the audit process itself needs to innovate, by including interfaces that enable the co-production of evaluation (United Nations [UN], 2007; International Organization of Supreme Audit Institutions [INTOSAI], 2013a; World Bank, 2014; World Bank Group/Asociación Civil por la Igualdad y la Justicia [WBG/ACIJ], 2015).

In this sense, the participatory audit process has grown, based on a collaborative structure between civil society and audit bodies, where citizens and civil society organizations provide useful, qualified and substantiated information on the quality of services rendered by state agencies (World Bank, 2014; WBG/ACIJ, 2015; Affiliated Network for Social Accountability in East Asia and the Pacific [ANSA-EAP], 2018). Participatory audit not only seeks to include co-production in the audit process, but also induces it in the assessed service itself. The topic of a broad social participation is also addressed likewise. Struecker and Hoffmann (2017), based on a systematic review of studies carried out between 2005 and 2015, show that literature increasingly addresses participation under a perspective that extrapolates the exercise of rights and duties, toward the incorporation of an effective concern about the



interaction between State and society, in order to share decisions and responsibilities in public actions.

In the development of a new audit process, it is worth considering the phenomenon of co-production in the public sector, as presented by Osborne and Stokosch (2013), from the integration of public administration and service management perspectives. For the authors, it is necessary to assign an active role to users, both in the planning and operational stages, which consists of an enhanced co-production, from which results the user-led innovation that provides new forms of public services.

Therefore, we observe that innovation capacity based on democratic principles implies the incorporation of collaborative practices (Torfing, 2013; Ansell & Torfing, 2014; Klumb & Hoffmann, 2016). However, the organization and coordination of collaborative interactions of multiple actors present several barriers (Torfing, 2013; Cavalcante, Camões, Cunha & Severo, 2017). New frameworks are necessary to accommodate inter-organizational innovation (Kinder, 2013).

This study follows the research agenda of Osborne and Stokosch (2013), who emphasize the importance of carrying out empirical research to test and refine these frameworks, and their contribution to the theory and practice of public administration. Several other authors discuss managerial and theoretical gaps that make up research themes that can further advance this one. They regard barriers and challenges to foster the implementation of public sector innovations in general, and many apply specifically to co-production (Brandsen, Steen, & Verschuere, 2018; Cavalcante *et al.*, 2017).

Osborne and Stokosch (2013) highlight the need to identify the key skills that public policy makers, practitioners and service users need for optimizing the co-production potential, as well as the range of mechanisms to foster the development of these abilities for the implementation of the participatory audit process. Steen and Tuurnas (2018) make a similar discussion, stressing the set of research gaps on the roles in the co-production process, and their corresponding skills, not quite understood and developed yet.

We carried out this study within the scope of the Citizen Audit Project (PAC), conceived by the General Audit Board (DIAG), an internal body of the Executive



Branch of the State of Santa Catarina (Brazil), to evaluate the provision of public services "under the citizen's view". It is an unprecedented initiative for the organization, seen as an effort of democratic experimentation (Ansell, 2012) in the field of public control. By introducing co-production into the internal audit evaluation service, the project brings challenges associated with public sector innovation. According to Osborne (2013), Torfing (2013) and Ansell and Torfing (2014), the formulation of guidelines for project implementation required understanding these challenges. In addition, the effective execution of the participatory audit needed the development of the necessary skills in auditors, servants of the audited bodies, and citizens that receive these public services, in order to perform their role appropriately (Osborne & Strokosch, 2013).

Hence, our objective was to analyze the Citizen Audit Project (PAC) in the light of the theory of public sector innovation, to identify challenges, guidelines and skills for introducing co-production in the evaluation process of public services by the internal audit of the Executive Branch of the State of Santa Catarina, Brazil.

We carried out the research in three stages: (1) Characterization of PAC origin and its implementation process; (2) Identification of the challenges for PAC implementation as a participatory audit process, in the perception of its stakeholders; and (3) Systematization of the guidelines and necessary skills to institutionalize PAC, according to the principles of co-production. We present the details of each stage in Chapter 3 (Method).

2. THEORETICAL BACKGROUND

2.1 Participatory Audit

Participatory audit is the result of audit evolution, in response to the current demands for State's accountability, transparency and responsiveness. In fact, there are common ideas between the development of audit and the theoretical models that guide Public Administration. Thus, compliance audits are inherent to the conception of the Traditional or Bureaucratic Public Administration (Salm & Menegasso, 2009; Rocha, 2011a, 2011b); performance audits are based on the philosophy of the New



Public Management (Barzelay, 2000; Rocha, 2011a, 2011b); and participatory audit follows the vision of the New Public Service (Denhardt & Denhardt, 2007) and of the New Public Governance (Osborne, 2006; 2010)¹.

In a traditional sense, audit is a check that compares usually accepted criteria with transactions actually carried out (Chemlinksy, 1985, *apud* Barzelay, 1997). This type of check or inferential practice is known as traditional, regularity or compliance audit (Power, 2005; Barzelay, 1997; Rocha, 2007). This way of acting developed under the postulates of the bureaucratic model (Weber, 1978), from Woodrow Wilson's management theory (Behn, 1998; Denhardt & Denhardt, 2007), and from Frederick Winslow Taylor's scientific management.

In the bureaucratic model, efficiency would be the result from rationality applied to an organization structured on hierarchy, with the absolute separation of the functions of planning and implementation of public policies (Barzelay, 1997).

In this model, audit check examined acts, facts and processes under the "exclusive" light of legal norms, which should be impersonal, general, and abstract (Weber, 1978). Therefore, the use of an "objective" parameter aimed at removing any aspect regarded as the auditor subjectivism, who acted mainly *ex-post*, thus allowing a "neutral" evaluation of the object of analysis. Power (2005), however, warned that this artifice fostered a "myth of audit neutrality", because, although objective, the auditor's analysis is affected by elements of the audit body or the auditor itself.

However, the bureaucratic model of management was questioned due to the effects called 'bureaucratic dysfunctions'. These were the greater emphasis on the process rather than on its result, the impossibility of distinguishing between the technical and political action of public agents, lack of flexibility, excessive number of rules, and low efficiency (Merton, 1978; Behn, 1998; Denhardt & Denhardt, 2007; Salman & Menegasso, 2009). These effects were also present in traditional audits (Barzelay, 1997; Rocha, 2011a; Olivieri, 2011).

¹ According to Osborne (2006), the approach of three-stage theoretical models of public administration consists of a simplification to assist the analysis and discussion of the development of public administration. In the field of audit, there is a similar reasoning, according to which one type of audit does not replace the previous one, but rather complements it, by bringing different ways of helping the audited body to provide public value (INTOSAI, 2004; Rocha, 2007).



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Criticisms to the bureaucratic doctrine, regarding its alleged inefficiency, and a period of budgetary restrictions (from the 1980s, and especially in the 1990s), led to reforms influenced by the New Public Management model, also known as 'managerialism'. Its main grounds came from Hood (1995), Hood and Jackson (1991), Barzelay and Armajani (1992), and Osborne and Gaebler (1992) (Barzelay, 2000a; Denhardt & Denhardt, 2007; Rocha, 2011a). Barzelay (2000b) considers it a field of political and professional discussion on issues related to public management, which include public management policies, executive leadership, design of programmatic organizations, and government operations.

The model of the New Public Management emphasized that administration should improve the provision of public services (service-oriented) whose enhancements should meet customers' needs (customer-driven services). Emphasis on "clients" also replaces the self-referenced centralism of state performance, by guiding government actions according to society demands.

Managers had higher discretion and focused on results; thus, it became necessary to measure their performance, their ability to deliver the expected services. This resulted in the "natural evolution of traditional audit" (Rocha, 2007, p. 12) - from checking the compliance with standards and the appropriate accounting record, to become a comprehensive assessment of the organization's performance, with special emphasis on the economy, effectiveness and efficiency of management (Rocha, 2007; Barzelay, 1997). This is the concept of performance audit.

In Barzelay's (1997) view, operational audit became an instrument of change in public administration; audit bodies acquired a broader view of public policy, which required interdisciplinary knowledge and a proactive performance from auditors.

According to Power (1994), as the idea of audit gathers a cluster of values that contemplate "independent validation, efficiency, rationality, visibility regardless of the mechanisms of practice, and ultimately the promise of control" (p. 13), there was a strong demand, which caused an "audit explosion". Especially in the public sector, the idea of audit was present in all areas, whether for public service efficiency, corporate governance, or management systems, so that "all these apparent virtues made audit become the central part of the 'government reinvention'" (p. 14), referring to the New



Public Management, more precisely to the paradigm shift proposed by Osborne and Gaebler (1992).

However, the model of the New Public Management also received criticisms, especially for being excessively driven towards the organization itself, without considering the inter-relationships and inter-dependencies inherent to the development of modern societies, which are plural and complex (UN, 2005; Osborne, 2006).

Hence, the New Public Governance model emerged, initially pictured by Stephen Osborne (2006), who recognized the current situation of the pluralistic and diversified state that must deal with the complexity and fragmentation of society. Thus, there was the need to promote the coordination of actors, institutions and interdependent sectors through a collaborative approach, where organizational borders became flexible for improving public services. The focus of state action shifted from intraorganizational to interorganizational, and performance metrics was no longer internal, regarding the products or outputs, but focused on the outcomes effectively perceived in society (Osborne, 2006).

Multilateral agencies and Supreme Audit Institutions (SAIs) started to adopt strategies to integrate users into the processes of monitoring and assessing public actions, in order to use the real feedback offered by the recipients of these actions, from their specific knowledge on the conditions and locations where public services were provided (United Nations [UN], 2007; International Organization of Supreme Audit Institutions [INTOSAI], 2013a; World Bank, 2014; WBG/ACIJ, 2015). An example was the UN program *Auditing for Social Change: A Strategy for Citizen Engagement in Public Sector Accountability*, launched between 2005 and 2007; its main intention was to explore how audit could operate in a more open and participatory way, becoming a tool for citizens' empowerment, for the promotion of transparency and attainment of the millennium development goals.

In 2015, the World Bank, in partnership with the *Asociación Civil por la Igualdad Y la Justicia* (ACIJ) published the E-Guide on Engaging Citizens in the Audit Process, with the purpose of assisting SAIs leaders and civil servants, along with



representatives of the civil society, with tools and information for the establishment of participatory institutional policies (WBG/ACIJ, 2015).

Therefore, the processes of participatory audit and social audit were defined; the first is run by institutional audit bodies, with the participation of the citizens and civil society organizations, in their different stages, while the second is conducted by the civil society itself (WBG/ACIJ, 2015; World Bank, 2014; Grandvoinet, Aslam, & Raha, 2015).

Although the participatory audit process is characterized by the involvement of external agents, it is important to mention that, because of the audit principles of independence and objectivity, the official body has the responsibility for decision-making, which includes the evaluation of suggestions from interested parties, the audit analysis, and the conclusion based on it (INTOSAI, 2013c).

Regarding the evolution of audit, especially the emergence of citizens' engagement in the process of service evaluation, the United Nations group of specialists in Public Administration (2011a), which deals with the participation of citizens in public control, prevention of corruption, and provision of public services, suggested the development of soft and hard skills in managers, professionals and actors of the civil society. The soft skills relate to human relationship, and the hard skills are technical. Among the soft skills, are empathy and dialogue to reach consensus; negotiation and conflict resolution, especially for public agents; leadership and management capacity; and competencies related to commitment and continuous learning (UN, 2011a). Hard skills comprise knowledge of specific laws and regulations of the evaluated services, rules for bids and contracts, budget and financial management, project management, and electronic data use and analysis.

The inclusion of citizens in the process of participatory audit results in the co-production of the evaluation service; therefore, in order to analyze PAC, it is convenient to address the theoretical basis of this phenomenon.

2.2 Co-production

Osborne and Strokosch (2013) combined the literature on business services management with that on public administration, to create an understanding of the co-



production of public services from the integration of these two perspectives. In business services management they identified the attributes of the inseparability of production and consumption at the time of service delivery, which is the "cornerstone of co-production".

They also observed the intangible nature of services, which are more a user-lived experience than a fact objectively measured, as with material goods. It follows that co-production is inherent to service provision, and is, therefore, "an inalienable component of the production of public services" (p. 38). Based on the wide use of the self-service model in the private sector, which is co-production in practice, the authors formulated the 'consumption co-production' type, which engages the user at the operational level of the service production process, to balance the expectations regarding the service experience, whose purpose is to empower him/her.

From the perspective of public administration, Osborne and Strokosch (2013) found that co-production challenges the traditional and orthodox speech that the design and delivery of services are state agents' responsibility, and citizens just have to require, consume and evaluate them. By conceiving co-production as something "external" to public services, it must be added to the production process in order to increase their quality, through the adoption of participatory mechanisms at the strategic stage of planning and design. This is the participatory co-production type, whose purpose is user's participation.

On the other hand, from the integration of the business and public management perspectives, Osborne and Strokosch (2013) formulated the enhanced co-production type, which is the combination of the operational and strategic approaches. It challenges the current paradigm of service provision with a "*user-led innovation of new forms of public service*" (p. 37).

2.3 Public Sector Innovation

To implement innovation in the public sector, aligned with the principles of New Public Governance, Ansell and Torfing (2013) emphasize the concepts of collaboration and design. The strategy associated with these concepts is the union of



complementary visions and knowledge in an open and applied design, to assist the achievement of new and creative solutions, defined by user needs.

Ansell and Torfing (2014) observe that the link between collaboration and innovation takes place through three mechanisms: synergy, learning and commitment. Synergy means the combination of complementary resources, skills and knowledge in a cooperative regime. "Learning is the process by which cognitive changes occur as a result of interaction with other stakeholders, which can change or reshape the collective sense of possibilities or generate new ideas" (p. 11). And commitment is the setting, among the participants of a given project, of consensus, feeling of belonging, and support to the conception and implementation of the intended public innovation. For the authors, without commitment the mechanisms of synergy and learning cannot do much.

Collaboration and design that result from the interaction of these mechanisms must cross the entire innovation cycle, which consists of four stages: idea generation, idea selection, implementation of new ideas, and dissemination of new practices (Torfing, 2013). Each stage of the innovation cycle must be strengthened with the collaboration of relevant actors and the use of methods and techniques associated with the design thinking approach (Alam, 2006, *apud* Osborne, 2013; Ansell & Torfing, 2014; Torfing, 2013). The use of design thinking removes the focus from how the new object is designed, by providing insights and solutions that go beyond mere adaptations or only change the appearance of current practices (Ansell & Torfing, 2014).

However, the implementation of innovations in the public sector is not always easy and spontaneous; thus, it is convenient to adopt an intentional method directed to the development, adoption and dissemination of new and creative ideas that defy conventional standards and bring a qualitative change to established practices (Torfing, 2013; Strokosch, 2013; Ansell & Torfing, 2014).

In addition, since the service has an intangible nature and consists of an experience undergone (only) by the user, only he/she is able to make a real evaluation of its quality (Osborne & Strokosch, 2013). Hence, instead of regarding users as passive individuals in the provision of public services, they should have active roles in



service evaluation and idea suggestion, inducing a collaboration for value co-creation with the state, through his/her valuable contribution. Therefore, establishing partnerships between professionals and citizens is essential to improve public services.

Professionals also play an important role in identifying opportunities for improvement, capturing feedback from users, or detecting tacit knowledge to increase service quality (Kliksberg, 1999; Osborne & Strokosch, 2013; Bovaird, 2007). This applies equally to service providers outside public administration, such as contractors, civil society organizations that provide services through partnerships, or civil servants, who are often excluded from planning the activities they perform (Schommer, Rocha, Spaniol, Dahmer, & Souza, 2015).

Thus, innovation that results from expanding co-production in public services is feasible only with changes in the governance structure, to enable an effective collaboration between professionals and users (Bovaird, 2007; Osborne, 2013).

3. METHOD

This study involved a qualitative research, a case study that analyzed the Citizen Audit Project, carried out by the General Audit Board of the State Secretariat of Finance of Santa Catarina - DIAG, from the perspective of the participating actors.

It was an empirical research on PAC, and the purpose was to reach a detailed knowledge of DIAG procedures, the ways of interaction with the audited bodies' servants, and with the citizens that are the target of the assessed public services. This is why we chose to build a case study. Although PAC is the unit of analysis, our study went beyond DIAG borders, and even beyond the State Secretariat of Finance boundaries, since the internal audit activity is a means to enable Public Administration entities to achieve their goals. That is, in order to check and understand the repercussions of DIAG's actions, we examined the field where services were provided.

Keeping this in mind, in the first stage of the research we characterized PAC origin and its implementation process. It describes the methodology of PAC's design and actions, the operations carried out between 2016 and 2018, and the main mechanisms used to promote co-production through interaction with citizens, users



and professionals. We conducted a documentary survey that comprised DIAG internal documents, especially those related to PAC, such as operation reports, working papers, checklists, questionnaires and operations' planning. It also involved the corresponding national and state legislations.

The second stage focused on the identification of the challenges faced for PAC implementation as a participatory audit process, in the perception of its stakeholders. For research delimitation, the object of analysis at this stage were operations related specifically to the school environment (operations "School Lunch" and "School Regularity"). This cutting in the universe of analysis sought to uniform the object of study, so that stakeholders' perceptions regarded the same phenomenon. We conducted semi-structured interviews with key agents of public control or those who had interacted with PAC in these operations. This sample comprised a total of 21 persons: four from DIAG, including its director; one from the Office of the Federal Controller General; two from the Accounting Court of the State of Santa Catarina; five Education managers - from the State Secretariat of Education and from schools, such as principals and teachers; one member of the Parents and Teachers' Association; two parents that are members of the School Deliberative Council at the unit where their children study; one student that is a member of this Council; four students; and a representative of an outsourced company that provides school lunch.

After identifying the challenges, we defined guidelines and the necessary skills for the agents, so that PAC implementation follows the principles of co-production, in a participatory audit process. Chapter 4 presents the results, including the discussion of the guidelines and abilities, along with the challenges.

4. RESULTS AND ANALYSIS

4.1 PAC origin and its implementation process

The Citizen Audit Project, conceived by the General Audit Board of the State Secretariat of Finance of Santa Catarina, started in 2016, and is defined as “an audit work, in the form of inspection, and whose objective is to assess, **under the citizen's**



view, if public service meets his/her needs, taking into account the principles that rule public services in general" (GESG, 2017a, p. 796; 2018, p. 813; our emphasis).

The project's operation model was designed through thematic operations, according to the public service assessed. As the Inspection Report No. 0001/16 mentions, the operations aim to "**reflect the real perception that citizens have** of the services or products received, in addition to establishing the State presence, active and vigilant" (GESG/SEF/DIAG, 2016a, our emphasis).

In 2016, DIAG conducted five operations, called School Lunch, Emergency, Transfers, Environment, and APAEs (Association of Parents and Friends of Handicapped People), in which internal auditors made on-site inspections equipped with checklists prepared by the coordination team, based on previous audits, legislation, contracts, agreements, information systems and related documents (GESG/SEF/DIAG, 2016a, 2016b, 2016c, 2016d, 2016e). After the visits, results were systematized and recommendations made to the Management Secretariat of each public service.

As of 2017, an electronic questionnaire was adopted, by using the Google Forms tool, as a kind of citizen report card, in order to get answers directly from the users; in this case, higher education students, beneficiaries or potential beneficiaries of scholarships from the UNIEDU program (GESG/SEF/DIAG, 2017c). For the UNIEDU operation, they also used a focus group with representatives of Higher Education Institutions for planning the tasks, as well as for the distribution of a brochure with information on the UNIEDU Program and PAC.

In turn, in 2018 the electronic questionnaire was used to get answers from the school units' boards and, at the same time, from the School Deliberative Councils (CDE), within the scope of the operation "School Regularity". The mobilization of CDEs called the attention of the school community, especially the parents, to the evaluation, and to the analyzed items. It became evident, from the testimony of principals, teachers and parents, that the simple act of questioning about the control of certain expenses, such as electricity, water, or waste collection rate, provided information until then unknown for most of the members of these bodies, who started to include these matters in their agenda.



For each new operation, new interfaces of interaction with citizens/users were added, to get their contributions for the evaluation process of public services. Initially limited to a satisfaction survey, the participation of users and other professionals was stimulated by the use of electronic forms (Citizen Report Cards), interaction with public policy councils and users' councils, utilization of focus groups at the stage of operations design, and informative campaigns through flyers. Although such initiatives were an initial stage of the promotion of co-production, there was an effort of democratic experimentalism in applying iterative design for successive operations, which demanded adaptive management and experimental and collaborative ways to format the participatory audit process (Ansell, 2012).

Hence, considering the evolution of this initiative, knowledge brought by this research contributes to PAC institutionalization, so that it can become a permanent program for internal audit. With this goal, we discuss in the following section the challenges, guidelines and skills necessary for internal auditors, managers, other professionals involved and citizen users.

4.2 Challenges, guidelines and necessary skills for implementing PAC as a participatory audit process

As the first challenges for the establishment of co-production as an innovation in the public sector, data analysis identified those related to the bureaucratic model of management. Specifically, we can mention planning centralization; small openness for receiving external contributions; technical execution without discretion; procedural and normative rigidity; hierarchical, vertical and rigid organizational structure; division of labor in a tight manner; and risk aversion. All these elements are widely discussed as barriers in the literature on public sector innovation (Weber, 1978; Merton, 1978; Behn, 1998; Torfing, 2013; Osborne, 2013; Ansell & Torfing, 2014; Agranoff, 2014; Brandão & Bruno-Faria, 2017). The predominance of such elements shows a relevant trend of DIAG operation, according to the mental model of compliance audit (Barzelay, 1997; Rocha, 2011; Olivieri, 2011).

One aspect repeatedly mentioned by the interviewees refers to the openness of political agents and audit professionals to receive and take into consideration



proposals from society. Although recognized as a practice that increases the accountability of the political system and adds legitimacy to state actions, its implementation is not always adopted by manager's free will; although it adds quality to the service, it also restricts the free discretion of the manager who submits to them (Landry & Angeles, 2011; Fung, 2013). Neither did technicians claim to accept the participation of third parties in the planning and execution of public services.

Osborne and Strokosch (2013) observe that public service providers consider co-production as time and resource consuming, that it will hamper their leadership, and not necessarily achieve a consensus, besides "diverting attention from the 'real' task of providing effective services" (p. 35). The discussion brought by Steen and Tuurnas (2018), about the role changes imposed by co-production and the challenges it brings to professionals, goes in the same direction.

On the other hand, interviews also showed citizens' lack of motivation. Although we can assume that citizens have a natural interest in taking part in the co-production of public services, Gascó and van Eijk (2018) address the need to understand what really motivates them to participate. Similarly, Struecker and Hoffmann (2017) show that a significant part of recent studies that focus on social participation has mentioned ways to motivate their participation and facilitate the process of approaching public agents. According to Osborne and Strokosch (2013, p. 42), for innovation to occur, "service professionals and planners must trust that they will receive some return from co-production, while service users must trust that their contributions will be acknowledged, valued and put into practice".

Another set of challenges mentioned by interviewees relates to regulatory and procedural rigidity, as well as to the division of labor in an isolated manner, without the necessary flexibility to accommodate the processes associated with participatory audit. These contributions were analyzed in the light of the literature, and point to guidelines for seeking procedural flexibility and the establishment of situational multidisciplinary teams². That is, teams formed by agents with qualification in different areas, according

² According to Barzelay (1997), in the audit field, especially since the establishment of performance audit, interdisciplinary knowledge and a more proactive performance are required from auditors' teams. Thus, it is necessary to combine this good practice with Follett's recommendation (*apud* Stout & Love, 2017), that teams be renewed for each situation, depending on the demand features.



to the nature of demand (Merton, 1978; Agranoff, 2014; Follett, *apud* Stout & Love, 2017).

Torring (2013) argues that public bureaucracy has the resources, skills and expertise to adapt stable routines to accommodate new developments, through experimentation and exploration. The author also observes that the size of public bureaucracy can absorb the costs of unsuccessful innovations. As in any innovative process, the implementation of the participatory audit method may not attain the expected results, which demands some level of risk-taking (Bovaird, 2007; Torring, 2013).

Another identified challenge arises from the search for standardization of production, delivery and documentation of services, and measurement of performance, regarding time and resources. These aspects may inhibit the innovative operation, due to the possibility of decrease of the quantitative index of service provided by the new model. As Torring (2013) explains, in general, innovative practices do not have the same rigor in documenting activities, which can result in penalizing public agencies for innovating. Thus, the guidelines point to openness to new ideas, tolerance to ambiguity, risk acceptance, procedural flexibility and communication throughout the process, to fill up an eventual gap of standardized documentation. Furthermore, the use of prototyping, testing, evaluation and constant adaptation facilitates risk management (Torrington, 2013; Ansell & Torring, 2014).

Interviews also indicated challenges related to the emphasis on cost evaluation, that is, on the efficiency aspect, rather than checking the quality of the service provided (effectiveness). This challenge is a sensitive issue for citizens' engagement in innovative collaboration, since the content or quality of public service is the main point of interest for citizens and external actors. Regarding this aspect, Abrucio (1997) observes that, "along with operational efficiency, linked to 'increased 'cost awareness'" (p. 18), 'adaptive efficiency' should also be assessed and encouraged, regarding the issue of flexibility, which is extremely important for institutions that undergo changes. In times of fiscal constraint and new technologies, adaptive efficiency that enables a better response to internal and external demands is more valuable than operational efficiency, which, although relevant, attains limited results as an objective itself.



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Another challenge that emerged from the interviews is the lack of capacity of both civil servants and citizens. On the state side, there is a need for skilled personnel, financial resources and appropriate infrastructure, including information and communication technologies (ICTs), to ensure the conditions for co-production of public services' evaluations (WBG/ACIJ, 2015). Another element that increases the challenge of state agents' lack of capacity, according to principals and teachers, refers to the high turnover of executives (Brandão & Bruno-Faria, 2017), which causes discontinuities in innovation processes and harms knowledge building.

On the citizens' side, social problems are complex, comprised by a tangle of norms, interests and limitations. Hence, for a full and effective participation of citizens in the process of modulating, implementing and evaluating public policies, it is convenient to know specific issues, often with strictly technical nuances, not always available to those interested. This challenge that arises from the complexity of the subject for appropriate participation, is a common factor mentioned by authors such as Koppenjan, Kars, and Van Der Voort (2009), Landry and Angeles (2011), Fung (2013) and Osborne (2013), as well as in UN (2005, 2007, 2011) and World Bank (2013, 2014) publications.

The communication challenge can add to this scenario. For auditors, there are many difficulties associated with this aspect, which demand care for its improvement. Students report lack of knowledge about important events in school due to inefficient communication. In addition, principals and teachers emphasize the importance of communication for understanding how to do the evaluation and fill out the citizen report card, linking this challenge to the lack of qualification. DIAG director and members of the State Accounting Court emphasize the importance of improving the communication process by using a language and a format that citizens understand.

Communication has a relevant role in the innovation process, because it is a key factor for generating synergy, integrating the various participants and leveling their knowledge. Thus, the absence or limitation of communication, either by using an inappropriate language for the target audience or a restricted coverage of the recipients, is an important challenge for innovation, especially when it relates to the engagement of citizens in the evaluation of co-production of services (Goetz & Jenkins,



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2001; UN, 2007; World Bank, 2013; Effective Institutions Platform, 2014). Moreover, in the relationship between auditors and managers, communication should be improved, as highlighted by Teixeira, Olivieri, Loureiro and Abrucio (2015); dialogue between the parties and the existence of different forms of coordinations have a "major importance" (p. 186) for control as an instrument of good public management.

Therefore, the guidelines related to this challenge point to a fluid communication, which generates feedback for those involved, at all stages of the process, in order to ensure full understanding among the parties and help constant learning. Language must adapt to each audience, for the message to be comprehensible to citizens' abilities, and regard the technical elements when referring to other control bodies, which includes working with the media in collaboration with experts in this matter (INTOSAI, 2004; Bank, 2014; WBG/ACIJ, 2015; IIA, 2016). To do this, it is convenient to adopt ICTs to establish the interface among those involved, and to provide easy, remote and instantaneous participation tools (Osborne, 2013; Fung, 2013; Amritesh, Misra, & Chatterjee, 2014; Royo & Yetano, 2015; Denhardt & Denhardt, 2015; WBG/ACIJ, 2015; IIA, 2016). According to Struecker and Hoffmann (2017), the use of information technologies to support robust communication processes has a prominent position in the set of studies that address social participation, in the last ten years.

Linked to the communication challenge, literature also highlights the challenge of information asymmetry as a limitation for innovation, especially if related to control co-production. For citizens and civil society organizations to make social control or contribute to it, state transparency and the availability of useful, accurate and updated information are essential (Goetz & Jenkins, 2001; Abrucio *et al.*, 2015, UN, 2011b; Rocha *et al.*, 2012; Rocha, 2013; World Bank, 2013; Schommer *et al.*, 2015; WBG/ACIJ, 2015; ANSA-EAP, 2018).

The challenges associated with communication lead to another barrier mentioned by interviewees: the difficulty to act in a network. The speech of a student's mother shows no integration between the school, the health center and the social assistance center. Although they are physically close, the lack of communication results in isolated activities, without articulation. According to a DIAG manager, the



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difficulty of network management is associated to formalization and standardization, which sometimes lead to the predominance of one or some organizations over the others.

The establishment of networks is a strategy aligned with the New Public Governance model (Osborne, 2006; Torfing, 2013), which contrasts the monopolistic view of public management with an interinstitutional approach. This approach takes into account the complexity of relationships and the interdependence of actors, to establish an arrangement based on collaboration and leadership, in order to solve the difficult problems of our multifaceted society. However, it faces the challenge of coordinating multiple actors, who often are in conflict and may require techniques for mediation and conciliation (Osborne, 2013; Torfing, 2013; Ansell & Torfing, 2014). The multiple interests that underlie the performance of each organization, as well as of the individuals, demand a coordination process of the network that enables the harmonization of proposals and pacification of the decision process (Goldstein, 2008; Koppenjan *et al.* (2007); Landry & Angeles, 2011; Fung, 2013; Amanatidou, Gritzas, & Kavoulakos, 2015).

Interviewees were unanimous in recognizing the convenience of establishing a network operation for PAC. One of them, with experience in a municipal social observatory and practice within the Brazil Social Observatory Network, warned that network setting should follow some principles, with freedom for each party, without excessive hierarchy or standardization. For him, it is convenient to establish an internal regulation, with guidelines for coordination and governance of the network, without implying exclusive prerogatives, hierarchy or predominance of one member over the others. The interviewee's thinking is in line with the governance orientation for the arrangements that comprise networks of third-sector organizations, according to which it is necessary to keep low centralization and high interconnectivity among the actors (Verschuere, Brandsen, & Pestoff, 2012).

The interviewees' impressions on the relevance of PAC current interaction with public policy and users' councils are aligned with the view of Schommer and Tavares (2017), who consider these bodies as spaces of citizen participation, where the co-



production of public services plays the role of catalyzing innovations in the relationship between civil society and the state structure.

Thus, another guideline points to permeable organizational borders that allow interaction with citizens and civil society organizations, to generate synergy and commitment for developing alternatives and implementing solutions (Bovaird, 2007; Denhardt & Denhardt, 2015; Guertzovich & Schommer, 2016).

Interviewees also mentioned several other challenges, such as wage differences among employees in the innovation process by co-production (Bovaird, 2007; Rocha *et al.*, 2012; Brandão & Bruno-Faria, 2017); lack of clarity in the division of roles (Bovaird, 2007); possibility of co-opting participants by state agents or offer of a merely symbolic involvement (Arnstein, 1969; Salm & Menegasso, 2010; UN, 2011c; World Bank, 2013; WBG/ACIJ, 2015); or still, the predominance of political-party interests over private. It is also important to highlight Alam's (2006, *apud* Osborne, 2013) warning on the need to define an appropriate measure for external contributions, since the excessive empowerment of users or the excessive customization of services may lead to inefficiency and to a high public expenditure to meet all demands.

Among the challenges mentioned for citizen engagement in control co-production, two issues stand out: lack of commitment and lack of trust. School principals complain that, in general, the community does not have a sense of belonging towards the school; therefore, they are not committed to the solutions for local problems. Ansell and Torfing (2014) observe that without commitment, there is no synergy or learning, which removes from the process the three mechanisms that link collaboration to innovation. For Goetz and Gaventa (2001), sometimes users adopt a conservative attitude regarding co-production, because they are afraid of losing the services they have. Pestoff (2011, p. a 23) warns that citizens are not like jack-in-the-box puppets, just waiting for someone to push the button to release them.

On the other hand, according to the Citizen Participatory Audit Learning Guide, trust is the foundation of continuous dialogue and problem solving (ANSA-EAP, 2018). Thus, citizens and state agents should notice that a joint action can bring value to each one, by setting channels of continuous communication and developing new learning, with proactivity and collaborative spirit, in order to generate shared understanding,



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commitment to the public good, and engagement in community service (Denhardt & Denhardt, 2007, 2015; UN, 2011c; Padley, 2013; Osborne, 2013; Effective Institutions Platform, 2014).

We then turn to the discussion of the skills that can be associated with the challenges and guidelines for the innovative effort of increasing co-production in the audit process. As relevant skills, we mention the emergent leadership, defined for each situation, according to the capacity of those involved (Follett, *apud* Stout & Love, 2017); the ability to share information; the decision-making power; openness to learning; and search of a healthy relationship of mutual trust among the parties. These skills are based on evidence, from solutions that arose from interaction and collaborative means, and support control co-production (Denhardt & Denhardt, 2007, 2015; UN, 2011b; Padley, 2013; Osborne, 2013; Effective Institutions Platform, 2014; Guertzovich & Schommer, 2016).

Also emerge as skills: responsiveness, according to which an answer to an emergent demand is priority, instead of compliance with norms; creativity, to search for new feasible alternatives that meet present demands, without excessive customization or costs; and proactivity, to put them into practice (Alam, 2006, *apud* Osborne, 2013; Torfing, 2013; Ansell & Torfing, 2014).

Therefore, it is time for the internal auditor to “stop being a professional who inspects and reviews historical actions and decisions, and become a qualified professional, who knows the business and has a high commitment to the organization’s future”. In this new condition, with the development of responsiveness, creativity and proactivity skills, “auditors will have to be better businessmen; or better, first they will have to be good businessmen and, then, good auditors” (Summer, *apud* Marini, 2016).

These conclusions show the need to adapt the focus of the audit work, valuing more the effects of service delivery than the process itself. According to the UN select group of Public Administration experts, “institutions, policies, strategies and control tools are most effective when they combine traditional/formal ways of inspection, such as audits, with more recent pluralistic/informal ways of social and shared control” (UN, 2011a, p. viii).



5. FINAL REMARKS

The establishment of a collaborative process of participatory audit requires overcoming the compliance audit paradigm, which should be limited to those appropriate situations (investigation of complaints, frauds), and the operational cost paradigm that is excessively focused on financial costs, to include interfaces that value the expertise of users and professionals. To do this, both the audit body and auditors should follow the guidelines and values of responsive governance and citizens' engagement in the audit process, so that their results positively affect the design and delivery of the assessed public services.

Therefore, this paper sought to contribute to the literature on public audit, since the participatory audit model is restricted to the technical production of international organizations such as the United Nations and the World Bank, in spite of its potential to improve evaluations, from the experience of those who are most affected by public sector performance. Once the principles of independence and objectivity that guide audit bodies are protected, taking into consideration the contributions of citizen users and other professionals involved in the provision of public services offers unique knowledge and insights for the evaluation and improvement of these services.

The paper also aimed to contribute to the literature on public sector innovation and the co-production of public services, especially in the area of control and audit, by identifying the main challenges, guidelines and skills required to establish an innovative process of participatory audit. Our results show an alignment between the challenges identified and the theoretical basis used as reference.

Regarding practical implications, it provides grounds for PAC consolidation and institutionalization, and its replication in governments interested in implementing innovations through the process of participatory audit. It presents and analyzes the main challenges inherent to co-production in the activity of public services assessment by internal audit, and its counterpart in terms of guidelines and necessary skills to deal with such challenges.

Just as operational audit became a central element of the 'reinvention of government' movement of the New Public Management, especially by assisting managers with evaluations of state performance under the perspective of economic



and efficiency principles, participatory audit emerges as a promising evaluation tool for public services in our contemporary society, marked by the complexity and plurality of agents and organizations involved in the governance process.

Acknowledgement

The authors thank the State Foundation for Research Support of Santa Catarina –FAPESC – for the financial aid to develop this study.

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