



DRG Learning Digest

Government and Social Auditing

October 2021

AUDITS! A term that evokes excitement and passion among DRG officers worldwide! OK, perhaps not, but audits do offer an underrated tool to hold public officials to account. A review of recent USAID programming found support for audit institutions in countries as diverse as Georgia, Iraq, Kosovo, Mali, and Vietnam.

This edition of the DRG Learning Digest examines the following topics:

- What is meant by auditing
- Audit intervention effectiveness
- Key factors in explaining audit effectiveness

Please also make use of DRG Evidence and Learning Team resources! (See text box at the end.)

What do we mean by auditing?

The term “auditing” is frequently applied to a wide range of assessment-style interventions intended to increase accountability. Here we focus on audits of government entities, but even within this group auditing interventions differ along the following dimensions:

- **Who does the audit?** Government auditing is often done by a “supreme audit institution,” but other government entities might also conduct audits (e.g., a procurement regulator, human rights ombudsman, or anti-corruption commission). Auditing can also be done by civil society organizations in what is often termed “social auditing.” For example, citizen scorecard campaigns of government entities can be considered social audit interventions.
- **What is the goal?** Different types of audits might focus on financials, compliance with rules, or performance. Most people think of the goal of an audit as uncovering misconduct (e.g., fraud, negligence, non-compliance) and holding public servants to account for that misconduct. [Jonathan Fox \(2015\)](#) terms this *backward-looking accountability*. However, this is not the only possible purpose of an audit. Many audit interventions aim to hold government agencies accountable for making future policy and practice changes — what Fox calls *forward-looking accountability*.

- **What is the theory of change?** Who uses the audit to hold government officials to account? Different audit-style interventions provide different answers to this question and entail divergent theories of change. Some rely on *horizontal accountability*, whereby the audit institution or other government entities (e.g., a legislative oversight committee or a regulator) use the findings and recommendations to take action to ensure accountability. The audit might not even be a public document. Others rely on *vertical accountability* to citizens, whereby audits provide information to citizens, who then use what tools they have (e.g., elections) to hold officials to account. Still others rely on *diagonal accountability*, a combination of horizontal and vertical forms in which citizen engagement occurs within government entities.



The entrance to the supreme audit institution in Honduras states, “By strengthening the system of control, we prevent corruption.” An evaluation of its performance auditing, however, found minimal influence ([Sabet et al. 2020](#)). Photo credit: Daniel Sabet, Evidence and Learning Team, DRG Center.

On balance, auditing interventions have a positive effect

A recent review by the Abdul Latif Jameel Poverty Action Lab (J-PAL) of 20 randomized and quasi-experimental evaluations concluded that audits tend to be an effective tool to: (1) increase political accountability; (2) reduce misuse of public resources; and (3) improve compliance with laws and regulations ([J-PAL 2020](#)).

Some of the most exciting work on auditing has come out of Brazil, where the comptroller general has been conducting random audits of Brazil’s many municipalities for close to two decades. The random selection of municipalities has allowed researchers to test for and identify an impact of the audits on how people vote: mayors with negative audit findings were 17 percent less likely to win reelection, an effect that was even more pronounced when those findings were covered in the local media ([Ferraz and Finan 2008](#)). There was also a deterrent

effect of audits on municipal corruption: being audited in the past reduced future corruption by eight percent, while increasing the likelihood of subsequent legal action by 20 percent ([Zamboni and Litschig 2018](#); [Avis, Ferraz, and Finan 2018](#)).

Furthermore, in a handful of studies that looked at costs and benefits, audits were also found to be cost effective ([J-PAL 2020](#)). However, despite the generally positive trend in the evidence, there are also several studies that find: mixed results, impacts that fade with time, no effect, or even unintended negative consequences (see [Sabet 2020](#) for review). As such, audit interventions need a clear theory of change that takes into account important intervening variables, some of which are discussed below (e.g., dependence on “political will,” enforcement teeth, media uptake, and complementary reform initiatives).

Several factors that influence audit impact

Many interventions suffer from an inadequate theory of change. Many audits produce outstanding reports that are simply ignored. Audit interventions that assume that government leaders presented with audit findings will naturally hold their charges accountable and improve policies and procedures depend too heavily on “political will.” Auditees have been found to provide insufficient information to auditors, ignore recommendations, undermine reforms, and implement window-dressing reform in response to recommendations ([Van Loocke and Put 2011](#)). For example, although more an internal monitoring initiative than an audit, [Banerjee, Duflo, and Glennerster \(2010\)](#) find that an initially successful initiative designed to decrease nurse absenteeism through monitoring had become completely ineffective in just over a year. The authors find that local health administrators — under pressure from organized nurses — undermined the program’s incentive system by granting frequent exemptions.

Horizontal accountability efforts require enforcement teeth. The main weakness of many audit interventions is that negative findings do not result in meaningful consequences for public officials or agencies. A comparison between [Zamboni and Litschig’s \(2018\)](#) findings in Brazil, where audit findings of corruption led to prosecutions, and [Olken’s \(2007\)](#) findings in Indonesia, where they did not, illustrate the point. In Brazil, a *moderate* increase in audit risk from five percent to 25 percent led to an estimated drop in corruption and mismanagement risk of 17 percentage points. By contrast, a *dramatic* increase in audit risk from four percent to 100 percent in Indonesia only produced a drop in missing expenditures of nine percentage points. While these studies are not perfectly comparable, the distinction is stark. Olken also reports that the Indonesia audits led to few if any prosecutions despite the rigorous audit methodology applied. Furthermore, as the audit was a relatively new tool in Indonesia, Olken noted that the observed effects would likely diminish over time as audited officials saw few consequences. As such, if a country’s horizontal accountability mechanisms lack the authority, the capacity, or the will to use their authority, then such audits are unlikely to be effective.



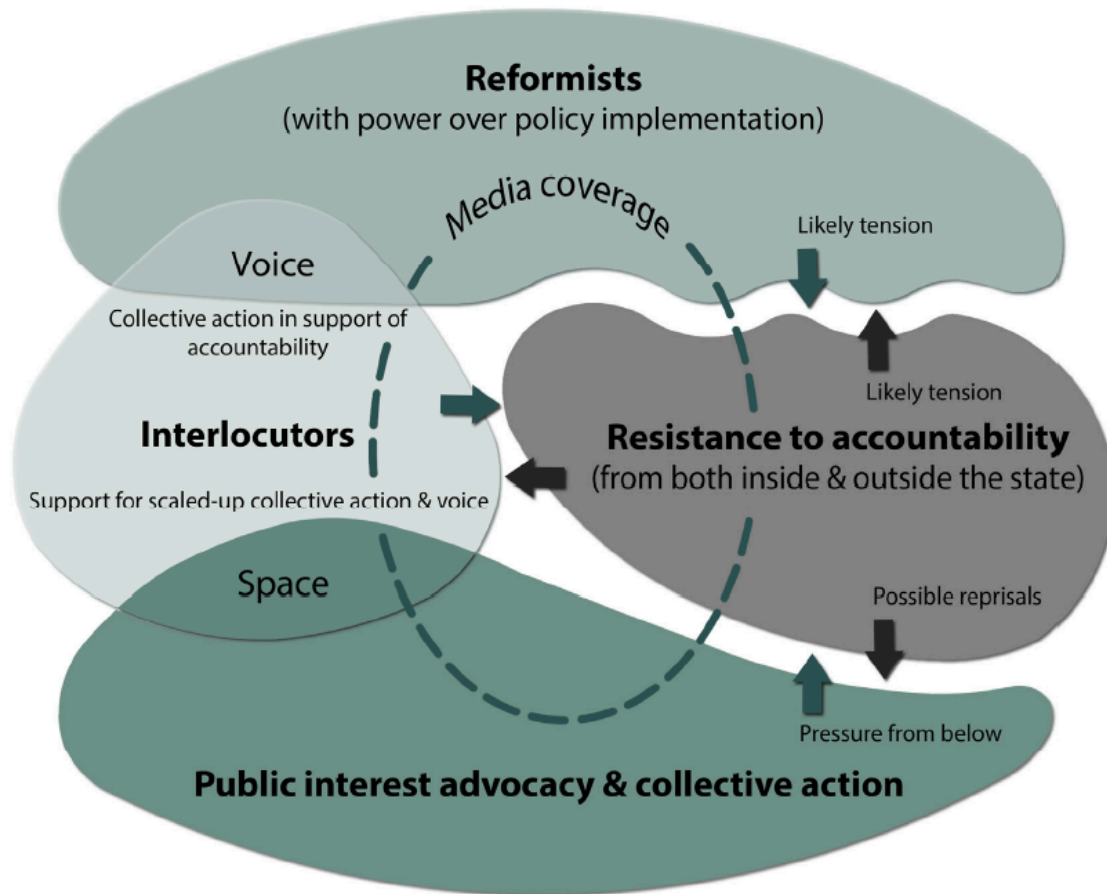
Public presentation of audit results in Ghana ([Wibbels et al., 2018](#)). Photo credit: Erik Wibbels.

Vertical accountability requires a complex theory of change. Audits that rely on vertical accountability to citizens might require a number of steps to link audits to accountability. These include development of reader-friendly summaries of findings, extensive public dissemination, media coverage, a systematic follow-up methodology, and use by civil society organizations pressuring for accountability ([Sabet 2020](#)). In fact, several recent reviews have found that initiatives that promote transparency and access to information are on their own insufficient to produce accountability ([Dunning et al. 2019](#); [Fox 2015](#)). A USAID impact evaluation in Ghana comparing bottom-up social audits with top-down government audits found that bottom-up auditing had a greater impact on citizens (e.g., satisfaction with services) but did not exercise much influence over government officials ([Wibbels et al. 2018](#)). As such, social auditing requires a mechanism to move from audit findings to citizen mobilization, and several studies have found that the media plays a key role in audit effectiveness. In the Brazilian case, [Ferraz and Finan \(2008\)](#) find that audits have a greater impact on electoral outcomes when a local radio station is present, and [Avis, Ferraz, and Finan \(2018\)](#) find that audits have spillover effects on other municipalities when there is a local radio or TV station present. [Van Loocke and Put \(2011\)](#) find that media played an important role in five of the 14 examined performance audit studies.

For a broader evidence review of diverse bottom-up democratic accountability mechanisms, we strongly recommend a USAID commissioned study by [Larreguy, Marshall, and Pocasangre \(2017\)](#), which looks at efforts to provide citizens with information, community-driven development programs, participatory institutions, civic education, and training. (Link only available to USAID personnel).

Given these limitations, top-down and bottom-up auditing should likely both be part of a larger reform effort. A famous study of a highly effective citizen scorecard campaign in Uganda by [Björkman and Svensson \(2009\)](#) is commonly cited as evidence that citizen scorecard campaigns work. However, in this case the scorecards were the first step in a larger intervention. Community meetings were held to disseminate the scorecard results and develop an action plan. In parallel, health facility staff were also convened to discuss the results. Community members and facility staff were then brought together to develop a community contract. A monitoring regime was established and progress was discussed at monitoring meetings. In short, the scorecard was a crucial first step, but it was part of a larger initiative. In fact, a recent replication that sought to scale up this intervention found it to be ineffective unless paired with even more intensive advocacy campaigns ([Bailey and Mujune 2021](#)). The need for additional reform efforts applies to government-conducted audits as well. In comparing two government audit initiatives in Honduras, [Sabet \(2020\)](#) finds that a procurement regulator without any enforcement teeth was still able to use audits effectively to inform significant policy reforms, while a supreme audit institution with such teeth was unable to effect change in the absence of additional initiatives. In a related vein, [Fox \(2015\)](#) argues persuasively for what he calls a “sandwich strategy,” of diagonal accountability and mutually empowering coalitions of pro-accountability actors in both state and society, as articulated in Figure 1.

Figure 1: Sandwich strategy: opening from above meets mobilization from below



Source: Fox (2015) [Social Accountability: What Does the Evidence Really Say](#)



Dissemination of social audit findings from the Transparency International chapter in Honduras, the Association for a More Just Society (ASJ). Conducted under a formal agreement with the

Honduran presidency, these audits offer an illustration of Fox's "sandwich strategy." Photo credit: ASJ.

Final words of caution. There are other ways worth mentioning in which audit interventions can go wrong or right.

- In some audits, auditors have lacked the incentives to provide honest and truthful findings ([Duflo et al. 2013](#)).
- In forward-looking audit regimes, even responsive auditees might be unable to resolve audit concerns if they depend on other actors or lack needed resources. For example, [Wibbels et al. \(2018\)](#) conclude that in Ghana one of the primary reasons why audits did not influence many of the intended outcomes (e.g., capital works project completion) was that local governments depended on central government transfers that were not forthcoming in a timely manner.
- Finally, it is worth bearing in mind the potential unintended consequences of audits. Audits might focus on what can be measured rather than what is most important, create risk aversion and undermine innovation, and shift priorities to what auditors perceive to be important ([Behn 2001](#); [Loocke and Put 2011](#)).

In summary, audits offer a potentially valuable tool to hold government officials accountable for past or future behavior through accountability to other government entities, to citizens more directly, or a combination of the two. Nonetheless, audit interventions require a robust theory of change that is not overly dependent on good political will, benefits from complementary reform efforts, and avoids unintended consequences.



Use Our Resources!

Welcome to the DRG Learning Digest, a newsletter to keep you informed of the latest learning, evaluation, and research in the Democracy, Human Rights and Governance (DRG) sector. Views expressed in the external (non-USAID) publications linked in this Digest do not necessarily represent the views of the United States Agency for International Development or the United States Government.

Don't forget to check out our DRG Learning [Menu of Services](#)! (Link only accessible to USAID personnel.) The Menu provides information on the learning products and services the Evidence and Learning Team offers to help you fulfill your DRG learning needs. We want to help you adopt learning approaches that emphasize best fit and quality.

The Evidence and Learning Team is also excited to share our [DRG Learning, Evidence, and Analysis Platform \(LEAP\)](#) with you. This Platform contains inventories of programmatic approaches and indicators, evidence gap maps, and data portraits - all of which can be very useful in DRG activity design, implementation, evaluation, and adaptation. Some of these resources are still being built, so check back frequently to see what has been newly added.

We also want to share our [Inventory of DRG Learning](#) with you! (Link only accessible to USAID personnel.) The inventory is a searchable database of DRG learning products, including summaries of key findings and recommendations, drop-down menus to easily find documents related to a particular country or program area, and links to the full reports on the DEC.

Our friends at the [Varieties of Democracy \(V-Dem\) Institute](#) are also seeking to expand their research partnership with USAID on the complex nature of democracy by inviting research questions from you for V-Dem to work on. If there's a DRG technical question you've been wondering about, please submit it to the [Research Wishlist](#) now! (Link only accessible to USAID personnel.)

We welcome your feedback on this newsletter and on our efforts to promote the accessibility, dissemination, and utilization of DRG evidence and research. Please visit the [DRG Center's website](#) for additional information or contact us at ddi.drg.elmaillist@usaid.gov.

