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Version: Accepted Version

Book Section:

Tomic, Slobodan (2023) Regulatory inspection and public audit. In: Public Management and Governance. Routledge

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Bovaird, T. & Löffler, E. (Eds.). (2023). *Public management and governance*. London: Routledge
(5th edition).

Chapter 14.¹

Regulatory inspection and public audit

Slobodan Tomic²

Introduction

This chapter is about inspection and audit, methods by which government seeks to assure and improve the quality of public services and the integrity of public service organisations.

Inspection is an 'outward-looking' activity, usually performed on the spot, that aims to check whether inspected subjects – inspectees - comply with policy rules. Many inspectorates mainly inspect public services but regulatory inspection is more general, checking organisations from all sectors to ensure compliance with legal standards, e.g. on safety, health, product quality, or the service delivery process.

Public audit is 'inward-looking' and directed towards public authorities rather than non-public actors. It generally investigates whether public funds are spent in a legal manner and whether public actions are cost-effective.

Learning objectives

- To recognise the different roles and purposes of regulatory inspection and public audit

¹ Please note that the chapter enumeration might differ in the published version of the book.

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- To understand the methods and potential effects of regulatory inspection
- To understand the methods and potential effects of public audit
- To recognise the limitations of regulatory inspection and public audit

Inspection in the public sector

Inspection is based on the belief that there is less chance of rules being broken when there is fear of discovery and penalties being applied. It implies that we cannot rely on the assumption that people behave nobly as 'knights in shining armour' and that their compliance with law will be self-regulated. Therefore, punishments for breaking the law must be enforced in order to deter rule-breaking behaviour, and inspections make such violations detectable. Inspection also enables policy learning, based on up-to-date information from the field, which is often not directly available to policy professionals. Consequently, inspections are common in most parts of the public sector – see Box 1 for examples.

Who and how carries out inspections?

Inspection is typically done by public sector staff in inspectorates and regulatory agencies. Public service inspectorates are typically part of the central or state government ministries, with the task of ensuring that public service providers are complying with laws, policies and expected quality standards. Some inspectorates have a centuries-long history – for example, labour inspectorates were established in many countries in the 19th and early 20th centuries.

Private inspection agencies are also sometimes engaged in public inspections. They do so where public actors do not possess the necessary expertise, (e.g. the use of sophisticated data analytics to highlight potentially 'rogue' behaviour) or where public inspection agencies are suspected of conflicts of interest or political

interference (e.g. the international sports antidoping regime now uses private inspectors in certain countries).

Box 1. Some examples of inspectorates of public services.

England and Wales

Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS)

- responsible for inspection of police forces and fire and rescue services of England and Wales

Office for Standards in Education, Children's Services and Skills (OFSTED)

- a non-ministerial department of UK government, reporting to Parliament and responsible for inspecting state schools and other educational institutions and also childcare, adoption and fostering agencies, among other tasks

New Zealand

Office of the Inspectorate, Department of Corrections

- Carries out prison inspections and thematic reviews
- Considers complaints from prisoners and offenders in the community
- Examines all deaths of people in custody
- Conducts other investigations and monitors situations where concerns emerge

Chile

The Labour Directorate (Dirección del Trabajo)

- Ensures compliance with labour, hygiene, pension schemes and safety standards in workplace.
- Monitors, through field inspections, compliance with labour and pension-schemes laws.
- Mediates labour-related disputes, in court and beyond.
- Having own legal status, reports to the President of the Republic through the Ministry of Labour and Social Provision for Pensions for Retirement.

Other public actors who may be responsible for inspections include regulatory agencies, institutions that have a more recent origin, particularly outside the United States. They differ from inspectorates in two main ways: first, they are often organisationally separate from the locus of political power and operate as autonomous institutions (although this is not always the case – in some countries

they are still subsumed under ministries, as shown in Table 1). Second, inspection is not the only prominent task that regulatory agencies are charged with – they also manage tasks such as the design of regulatory standards, the development and implementation of regulatory policies and strategies, and sometimes scientific research and development.

Regulatory inspection typically checks whether a regulated subject, whether in the private, public or third sector, complies with legal standards, e.g. on safety, health, product quality, or the service delivery process – these inspection usually cover purely private and third sector activities, as well as public services.

Sometimes, in response to changes in policy or technology, new inspection activities are created within existing inspectorates or regulatory agencies. For instance, alongside its traditional on-spot inspections of bookmakers and casino premises, the UK Gambling Commission now also carries out 'online' inspections, by checking on the websites of bookmakers/casinos that the way they deal with customers is compliant with the prescribed regulations (e.g. on anti money-laundering measures, fair trading, protection of the vulnerable, and other regulations).

Table 1. Examples of regulatory authorities across the world that conduct regulatory inspection

USA, Food and Drug Administration (FDA)

Probably the most prominent food and medicines regulator in the world. It has its own inspectorate carrying out inspection of the quality of food and medicines on the market.

New Zealand, Employment New Zealand - a labour inspectorate which:

- ensures compliance with employment standards;
- investigates breaches, carrying out appropriate enforcement action;
- provides resolution assistance around complaints of breach of employment standards;
- takes other steps in collaboration with industry and sector leadership and other key parties to enhance employment standards compliance.

Australia (New South Wales), Environmental Protection Agency (NEPA)

Australia, as a federal country, has environmental regulators at state level. As in many other countries, the regulation and enforcement of environmental protection is shared between the state regulator for environmental protection and local authorities, which often carry out part of environmental inspections. The New South Wales Environmental Protection Agency, for example, sets out regulatory standards for environmental protection, collaborating with and providing guidance for local authorities as to how the former should carry out inspections of environmental hazards and pollution within their geographical jurisdiction.

UK, Gambling Commission

The UK regulator for the gambling market, set up in 2007, as an independent regulatory agency operating at arm's length from government. Its inspectors visit on-site bookmakers' premises in order to check whether they are applying money-laundering regulations, rules against gambling by minors, and other mandatory regulations.

Chile, Nuclear Energy Commission (La Comisión Chilena de Energía Nuclear - CCHEN)

CCHEN is the Chilean nuclear energy regulator which, amongst other tasks, is responsible for supervision and inspection of nuclear and radioactive sources and their operators. Its mission is to protect people and the environment in relation to the management of radioactive waste management radiological issues. Unlike most other regulatory agencies it is not structurally separated from the government but a part of the Chilean Ministry of Energy.

India, Central Drugs Standard Control Organisation (CDSCO)

CDSCO regulates cosmetics, pharmaceuticals, and medical devices in India and conducts inspections of the production of medicine and pharmaceuticals.. Unlike other so-called Independent Regulatory Agencies, which are outside governmental hierarchy, CDSCO is part of the Indian Ministry of Health.

South Korea, Financial Supervisory Service (FSS)

The FSS is South Korea's integrated supervisory authority, responsible for ensuring that banks, nonbank financial companies, financial investment services providers, and insurance companies comply with dedicated standards related to the safety and stability of the financial system. In addition to conducting prudential supervision of capital markets, it also inspects the work of financial market actors in order to ensure consumer protection. The FSS also checks the audits done by accounting firms to make sure that they are independent and reliable, i.e. that they provide accurate and credible information about the state of financial actors operating on the domestic financial market.

Singapore, Building and Construction Authority (BCA)

The BCA is the Singaporean regulator for safety, quality, inclusiveness, sustainability and productivity of construction sites and buildings. Its mission is to ensure that buildings in Singapore are designed, constructed and maintained to high standards of safety. The BCA creates rules for and advises on sustainability standards in construction, and inspects compliance with those and other safety and construction rules.

Although the need for inspection is widely recognised, not all inspectorates are popular. OFSTED – the UK’s regulator for standards in education - has long been heavily criticised for a range of reasons (Craven and Tooley, 2016), including its unnecessarily aggressive approach, its lack of insight into the way teachers work, and its lack of success in protecting children from abuse and racism in schools.

Inspection enforcement styles

Inspections are usually conducted through on-site visits. During those visits, an inspector checks whether the inspectee(s) adheres to the prescribed procedure and/or quality standards. What makes on-site inspection different from other forms of control, such as continuous oversight or desk-based analysis of documents and reports submitted by an inspectee, is its unpredictability. Inspections generally do not occur at regular intervals and in a pattern known in advance to the inspectee, and may even be unannounced in advance. This element of surprise is supposed to reduce the extent of inspectees’ non-compliance.

Inspection patterns are determined at the ‘design’ end of inspection. In the most rudimentary form, inspections are random, with no pattern to who will be inspected, or when. However, there are more advanced forms of inspection, based on some sort of informed choice, such as:

- the regulator’s, or inspector’s intuition, sometimes drawing on prior experience;
- risk prioritisation – inspected targets are chosen according to estimation of the probability and/or impact of a potential breach;

- data analysis, primarily of the patterns in prior breaches; more sophisticated data analytics could draw on 'big data', shifting trends in the sector, real-time collated data from the field, the experiences of customers/citizens dealing with the inspectees, and other indicators.

The way inspections are conducted can vary across inspectorates, even when they undertake similar or identical tasks. The concept of 'enforcement style' (Kagan, 1989; May and Winter, 2011) denotes the way an inspector engages with an inspectee, from the initial contact through the consideration of a potential breach to the subsequent imposition of a sanction, if a breach has been established.

The classic distinction in the analysis of enforcement styles at the 'receiving end' of inspections is between punitive and persuasive enforcement styles (Kagan 1989). The punitive style, also labelled 'legalistic', 'deterrent', or 'adversarial' is based on the strict application of sanctions. Once a regulatee is caught breaching a regulation, the inspector issues a fine without weighing whether the breach has happened as a result of insufficient understanding of the regulation, the inspectee's low capacity for compliance, or another 'benign' reason. The persuasive (also called 'advisory' or 'educational') enforcement style, is more facilitative and flexible - inspectors approach violators in a non-punitive way with the aim of understanding what the source of the violation has been. In this style, the inspector will possibly give the violator a 'second chance', if it has been established that the non-compliance has not been 'malign'.

According to conventional wisdom, the punitive enforcement style is better suited for 'immoral calculators' - inspectees who deliberately violate regulations. Knowing they might be punished can, arguably, deter them from breaking a regulation. Of course, the deterrence effect will also depend on the severity of the sanction, as well as monitoring frequency. A punitive approach may be particularly fitting in situations where risk or damage is high, such as in disaster-prone areas, e.g. a breach that might lead to a chemical accident, a health hazard, a pandemic of food poisoning, and the like. In situations where sporadic breaches bear little risk of severe consequences, it would make sense to apply the persuasive enforcement style, particularly when inspectees need more clarity, advice, and capacity development to understand how to follow the regulations.

Recently, refined frameworks of enforcement style have been developed. They include highlighting 'intermediary' styles between punitiveness and persuasion, or adding other dimensions to the punitiveness/persuasion dimension, such as

flexibility - how flexibly inspectors can and do apply rules when deciding how to deal with an inspectee (McAllister, 2010: 63). Another dimension that has been suggested is *zealotry* - how much effort an inspector puts into looking for violations or the frequency of scanning for breaches (Tomic, 2018). Adding such dimensions can enable us to capture more pertinent aspects of enforcement style.

While, intuitively, we may see one enforcement style as more fitting than another, we still lack substantial evidence to determine which enforcement style is more effective, and under what conditions. Part of the challenge lies in defining and measuring 'better performance.' Does this mean improved compliance rates among regulatees, or greater 'policy smartness' that inspectees could develop from inspection-based learning? Whether and when there is a 'best enforcement style' is an issue yet to be settled but a notable trend in regulatory governance over the past few decades has been the increasing popularity of mixed approaches. The most prominent framework in this regard is 'responsive regulation' (Ayres and Braithwaite, 1992).

Responsive regulation is a regulatory strategy that involves a graduated series of sanctions against repeat breaches of regulations. This system uses lenient sanctions at first, such as warnings, but if the regulatee repeats the violation, the sanction is escalated, to a pecuniary fine, business suspension or closure, or even a criminal penalty. Responsive regulation is considered by many as a regulatory strategy more fitting than the 'linear' application of one enforcement style, because it avoids unfair sanctioning of a breach by someone not well informed or with the capacity to ensure compliance, whilst not risking mid- and long-term that such a non-punitive approach will spiral into 'anarchic' non-compliance. Anecdotal evidence and various empirical studies confirm that responsive regulation might have crucial advantages over the alternative enforcement strategies and style.

Still, this approach has its limitations – e.g. if sanctions do not escalate appropriately or if there are not enough resources dedicated to inspection, responsive regulation may not be effective (Baldwin and Black, 2008). Additionally, responsive regulation may not be able effectively to communicate moral messages to those being regulated (Parker, 2006), which is sometimes seen as equally or more important than achieving direct compliance.

Overall, there are two key takeaways from this section. First, there are various inspection/enforcement styles, differing in terms of punitiveness but also in other possible dimensions such as flexibility or inspection zealotry. Second, many contemporary regulatory strategies are based on a mixed approach that combines

punitive and persuasive elements such as in the case of responsive regulation, which is applied in a wide range of regulated areas.

Challenges to and negative sides of inspection

Inspection is an important tool for ensuring compliance with rules and standards, but it can sometimes be ineffective. For instance, people may 'game' the system by formally meeting the inspection requirements, while not actually meeting the underlying regulatory purpose. Teachers, for example, might 'stage manage' their performance for inspectors, without actually adopting the intended behaviours that would enhance students' learning outcomes. Or a construction worker might wear a helmet as mandated by law, but at the same time exhibit other reckless behaviours that endanger themselves and others. If not revised over time and in light of feedback from the ground and policy evaluation, inspections can create cultures of 'fetishisation of inspection' where 'ticking the box' is offered as proof of 'compliance' (so called: creative compliance) without much regard for its underlying purpose (Blanc, 2012: 79; Baldwin et al., 2012: 70-71).

Further, inspection can be burdensome and costly. Organisations need to invest resources (time, staff, operational capacities) to keep track of the regulation, undertake the steps necessary to follow the prescribed standards and often submit reports to the regulator about compliance. Excessive regulation and rules ('red tape') is clearly inefficient but sometimes even 'proportionate' inspection may push organisations which have an exaggerated fear of the potential penalties from inspection to spend more time and resources than necessary in ensuring compliance.

Moreover, organisations can feel unreasonably intimidated by inspections (or audits), especially if repeated and frequent, and characterised by a punitive enforcement style. This can be very stressful for individuals within the organisations. This problem is becoming increasingly recognised among some inspectorates and auditors. The National Audit Office in England, for instance, has introduced empathy training for its auditors to 'ease' the interaction with the auditees and make them feel less intimidated during on-spot inspections. There are tasks and policy sectors where a punitive inspection style – even an intimidating approach one might argue – might play a positive role in preventing reckless inspectee behaviour that could lead to major disasters (e.g. a nuclear accident). Nonetheless, in other cases, there is significant scope for the inspector(s) to choose a less or more intimidating approach. One important consideration is to what extent an inspection style can be adjusted; sometimes the nature of the tasks and risks involved leave little space for adjustment.

– and the legal design can be quite prescriptive leaving little or no discretion to the inspector/agency to depart from one prescribed style.

Finally, inspections can be abused. This may particularly apply in states with a tradition of 'bureaucratic extortion', where inspections can be deployed 'excessively' or in a selectively targeted way to extract benefits from the inspectees. In developing and transitional countries, in highly politicised contexts, with pervasive party patronage, the inspection may be used as a 'disciplining' tool against regime opponents, e.g. businesses that do not support the regime or that donate to the opposition. This might be problematic particularly in contexts of low administrative capacity, as not only are existing resources employed to carry out selective and unfair inspection but they then cannot be effectively employed where they are actually needed (Amengual 2016).

Public sector audit

Audit is another prominent form of control that has been used in both the corporate world and public management for many years. Unlike regulatory inspection, public audit is 'inward-looking' and directed towards public authorities rather than non-public actors. Public sector audit refers to control over whether public funds are spent in a legal and purposeful manner. Audited authorities can include a range of organisations, from executive governmental department (ministries), through public enterprises, hospitals, schools, regulatory and other agencies, to local authorities.

Supreme Audit Institutions (SAIs) are institutions responsible for public sector audits. Most countries in the world have a dedicated SAI, and many were established in the late 1980s or early 1990s with the rise of New Public Management (NPM), which, as a doctrine, places central importance on performance measurement and oversight across the public sector by institutions not directly controlled by the government (Hood, 1990). SAIs are usually autonomous from government, although the level of separation can vary from country to country, with some governments having considerable control over SAI staff and budgets. Some examples are given in Table 2.

Table 2. Examples of SAIs (data as of 2022, as per official national legislation).

Country	SAI name	Mission & key tasks	Status, independence, appointment procedure
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Brazil	Federal Court of Auditors (TCU - Tribunal de Contas da União)	<p>TCU conducts accounting, financial, budgetary, performance and equity audits and inspections to verify the legality and legitimacy of governmental actions.</p> <p>It audits the accounts of public administration bodies at the federal level and persons responsible for federal public assets.</p> <p>It audits accounts relevant to any illegal loss to the public treasury, due to neglect, misapplication or corruption.</p> <p>It sanctions public officials where legal violations are established in relation to the federal budget.</p>	<p>TCU is a collegiate body, with a constitutional status.</p> <p>The Court comprises nine Ministers, six of whom are appointed by the federal Congress and the others recommended by the President of the Republic.</p> <p>The Court also has four civil servants as auditors, non-political appointees.</p> <p>TCU also has an autonomous and independent office of Public Prosecution to uphold the legal order, whose senior staff are appointed by the President of the Republic.</p>
Jamaica	The Auditor General	It conducts independent audits on the use of public resources, and provides reports on these audits, submitting them, together with annual reports, to Parliament.	It has constitutional status, according to which it is appointed by the Governor General on the advice of the Jamaican Prime Minister. Unlike the Brazilian TCU, or other SAls with a collegiate model, the Auditor General acts as final decision maker.
England	The National Audit Office (NAO)	<p>It carries out audits of central government departments, government agencies and non-departmental public bodies. This includes value for money (VFM) audits into the administration of public policy.</p> <p>Its reports are reviewed by the Public Accounts Committee of the UK</p>	<p>Independent Parliamentary Body that reports to the Comptroller and Auditor General, an officer of the UK Parliament, who is appointed by Her Majesty the Queen, upon the Prime Minister's address to Parliament.</p> <p>The Public Accounts Commission is responsible for the appointment of the non-</p>

		Parliament.	executive members of the NAO Board and its external auditor.
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SAls conduct different types of audits. The most common type is the financial audit, which checks whether the audited funds were spent in a legal way. This includes, for instance, checking whether tendering procedures were followed or whether the funds spent throughout a project were allocated, discharged and reimbursed in line with the relevant expenditure standards and rules. Another type of audit, performance audit, has become increasingly important in recent years. This type of audit evaluates whether publicly funded projects and programmes bring value for money (VfM) (see Table 3), i.e. whether their budgets were not only spent legally, but also maximised the value obtained from the funds (Downe and Martin, 2015). Performance audits explore whether programmes and projects have achieved their goals efficiently and contributed to the public good, sometimes expressed as achieving public value (see chapter XX).

Table 3. A definition of Value of Money.

Value for Money (VfM):

“An independent evidence-based investigation which examines and reports on whether economy, effectiveness and efficiency has been achieved in the use of public funds”
(Northern Ireland Audit Office, UK)

The public audit cycle: From auditees selection through report submission to policy recommendations and sanctioning

After an SAI has selected which institutions and projects to examine, it gathers relevant documents from each one, including records of spending and evidence. A team of specialists from the SAls investigates these. When they finish, the SAI sends a report to show if the audited body followed budget expenditure regulations during the programme. If not, the SAI can propose or impose fines or other sanctions. The type and strength of the sanctions will depend on several factors, such as the kind of violation committed and the legal framework in that state. In some states, the SAI decides what sanctions to apply; in other states, sanctions are applied by the court

or Parliament to which the SAI forwards its reports. Sanctions can range from warnings to pronouncements of budget expenditure violations (a typical 'naming and shaming' measure), and might further involve prosecuting misdemeanours and even criminal charges/fines.

SAI reports are important because they help to hold public officials accountable. However, SAls may also help to improve policies. After a performance audit is conducted, the SAI often draws up a list of improvement recommendations, highlighting what the audited bodies can learn from the audit.

The effects of inspection and public audit

Inspection effects can be positive or negative. SAls can play an important role in ensuring that taxpayers' money is well spent. By conducting financial audits and performance audits, SAls can help organisations save money and provide better public services. However, it is unclear whether these savings come at a cost to other parts of the government or to citizens themselves. For example, some budgetary savings, which appear positive in themselves, may simply shift costs to other programmes (e.g. when substance abuse centres are closed but police and courts have to deal subsequently with higher crime rates). Alternatively, the burden may be shifted to citizens, through reduced protection and benefits, the costs of which are not calculated in the audit. It is important to consider all these potential consequences when assessing the effects of an SAI's work.

In many cases, improvements have been found in the behaviour of auditees, which often follows the recommendations of SAls based on their finished audit reports (Bonollo, 2019: 471-475). However, such improvements are not always associated with the removal of malfunctions and a reduction in corruption. Sometimes, auditees do indeed adopt the majority of SAI recommendations but they may selectively aim for low-hanging fruit, adopting those recommendations that are least demanding or lead to major resource or performance improvements. At the same time, the fact that an auditee has adopted a majority of an SAI's recommendations in the past may make future audits less stringent - this means that the simple count of 'implemented SAI recommendations' is a poor indicator of whether audits have led to improvements in value for money. Studies have found that the adoption of a SAI's recommendation, or set of recommendations, usually has only a marginal effect on correcting the main malfunctions in the work of the audited institution (Morin, 2008; 2014).

Sometimes it is difficult to credit an organisation's improvement to a SAI report, even though the latter might have been a key trigger. SAI reports often point to internal organisational weaknesses and suggest ways of pooling resources and reducing inefficiencies, actions which are often subsequently actioned by managers. However, they can portray these actions as resulting from their own reflection and perceptiveness, not external advice (Van der Meer, 1999; Bonollo, 2019: 474).

According to the traditional 'business climate' argument, timely and high quality inspection may facilitate business investment, by providing 'accreditation' of the organisations concerned. On the other hand, unclear and burdensome inspection can deter market investments by increasing business costs and unfairly deployed inspection can produce market disadvantages for unfairly targeted businesses (Blanc, 2012: 9-14).

What the future holds for regulatory inspection and public audit: trends and challenges

What is the future for regulatory inspection and audit? Providing firm predictions is usually ungratifying. However, by looking at some environmental and situational factors, as well as wider governance trends, we can get a better idea of how the work of regulatory inspection and public audit might evolve in the future.

The future of regulatory inspection and audit will be shaped by a number of factors, including the increasing financial pressures facing governments, the impact of digitisation and technology on the way organisations operate and the way regulators inspect them, and changing perceptions of risk and inspection priorities.

Increasing financial pressure on governments is likely to lead to a squeeze on resources available for regulatory inspection, with agencies having to make difficult decisions about where to allocate limited funds. This could mean that regulators are less able to conduct in-depth inspections, and instead focus on areas that present the greatest risk to public safety.

Regulators and auditors themselves might also be subjected to higher accountability expectations. They may find that they need to justify their actions and performance to the public in the same way that those they inspect and audit have to. In the context of shrinking budgets, regulatory agencies will be under increasing pressure to justify the costs of their work. This is likely to lead to a more focussed approach,

concentrating on areas where they can have the greatest impact and paying less attention to areas that are considered low risk, or where rigorous inspections and audits are difficult.

To prove themselves accountable, i.e. justify their conduct to the wider audience, inspectors and auditors may start to make their work more transparent. They may also place a stronger emphasis on public communication, including moving to open data. The drive towards more efficient inspection and audit strategies may result in a shift towards increasingly punitive enforcement styles, as these may be seen to bring more tangible and immediate benefits than the conciliatory style, whose benefits may be longer term and less visible, even if rather greater.

Expectations may also be raised that regulatory inspection and public audit will play a more active role in assisting and developing useful and efficient systems for the delivery of public services. In other words, in future SAls may be compelled to serve more as innovation consultants to public organisations, advising on where to allocate money and how to increase public service efficiencies and budget savings. At the same time, given the expected rise in public pressure for resource savings, SAls may generate more powerful pressures on public organisations, which may find it harder to ignore or circumvent SAI reports. Balancing such roles would be challenging for SAls, though, as one requires a confrontational approach and the other a more collaborative engagement.

The development of digital tools and resources is also likely to have an impact on regulatory inspection and public audit, allowing inspectors to carry out their work more effectively. For example, online databases of regulations and guidance documents could help inspectors to quickly identify relevant information, while online mapping tools could help them to plan their visits. In addition, social media could be used to gather information from citizens about potential breaches or contraventions. Inspectors may be able to use digital sensors to detect breaches in safety protocols, or software that can automatically flag irregularities in financial records.

The increasing focus on safety standards is also likely to have an impact on regulatory inspection. In particular, agencies are likely to place greater emphasis on inspecting activities seen as posing a high risk of harm, e.g. food premises or social care homes or dangerous workplaces. This will be a particularly prominent priority in the wake of the global COVID-19 pandemic and the nuclear crisis related to the war in Ukraine. In addition, agencies may place greater emphasis on developing risk-based

inspection programmes, resulting in a more targeted and efficient approach to regulatory inspection.

So far, the role of SAls and regulatory inspectors has been to point out redundancies and inefficiencies among audited and inspected organisations. In the future, they may need more specialised skills in order to analyse and suggest improvements within particular areas. For instance, they may need more staff versed in the details of IT systems, healthcare procedures or defence weaponry, all of which are areas of high public spending.

Questions for review and discussion

1. What is the difference between inspectorates and regulatory agencies that carry out regulatory inspection?
2. What is your view of the proposition that: "Inspectorates are outdated institutions, relicts of the past".
3. What would the world look like without regulatory inspection? And without state audit institutions (SAls)?
4. What lessons for 'Value for Money' audit should be learnt from chapter XX (on performance management)?

Readers exercises

1. Have you engaged with any inspectorate or regulatory inspection in your life? If yes, what was the enforcement style they used? If no, can you think of interactions which you have had with public services where you think inspections or value for money audits needed to be undertaken – give your reasons.
2. What difference does it make if an inspectorate or audit agency is an independent public organisation, separated from the government, civil service and political interference? Where such separation is not ensured, what safeguards should be put in place to protect the agency from inappropriate interference?

Class exercises

1. In groups, identify interactions which group members have had with public services which were unsatisfactory and where you think inspections or value for money audits might have helped to improve the experience. Choose two of these examples to report back to the plenary session on weaknesses of current inspection and audit practice. In plenary session, based on these reports, debate the extent to which current public service inspections and audits need to be extended or improved.
2. Split into groups to consider the proposition: "Technology and automation will be able to do most of the current job of inspectors and auditors". One set of groups should prepare arguments supporting the proposition and the other arguments opposing it. In plenary session, each group should summarise its case and then the class should vote on the proposition.
3. Undertake class exercise 2 again, but this time considering the proposition: "Citizens and citizen engagement will be increasingly taking up some of the current functions of regulatory inspections and state auditors" .

Recommended reading

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