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ORIGINAL ARTICLE

Too big to be audited? The new world of auditing in international organizations

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Funding information
Deutscher Akademischer Austauschdienst; Ministero dell'Istruzione, dell'Università e della Ricerca, Grant/Award Number: Vigoni Project 2012

Abstract

Within the NPM debate, audit reforms have been largely investigated at the national level. The best-known theoretical approach to approach audit reforms is provided by Michael Power, who suggested the idea of an "audit explosion" and then of an "audit society." Power draws his insights from cases situated at the national level without explicitly considering international organizations (IOs) as both subject and object of audit reforms, despite their increasing relevance in economy and society. It, therefore, makes sense to consider Power's hypotheses as a starting point for the analysis of audit reforms in IOs to investigate whether the framework has value in studying audit reforms in such organizations. This research adds to the existing body of literature by providing a comparative analysis of audit reforms in six IOs over the course of the past 20 years to shed light on a fundamentally changing method of auditing them.

KEYWORDS
audit architecture, audit reform, audit society, international organizations, Supreme Audit Institutions

1 | INTRODUCTION

The rising importance of international organizations (IOs) has increased the pressure to hold these organizations accountable (Caporaso & Madeira, 2012; Keohane & Nye, 2003; Rittberger & Zangl, 2006). Although the body of knowledge on management reforms (Pollitt & Bouckaert, 2011) and the accountability of IOs (Buchanan & Keohane, 2006; Koenig-Archibugi, 2010) is steadily developing, students of public organizations have yet to consider the transformation of audit systems in IOs that has occurred since the mid-1990s. Given the importance of IOs to the economy and society, it seems surprising that so little is known about the evolution of their audit systems.

The best-known theoretical approach to audit reforms was provided by Michael Power, who coined the terms an "audit explosion" and "audit society." Power draws his insights from cases situated at the national level without explicitly considering IOs as both subject and object of audit reforms (Power, 1997). This research uses Power's framework as the starting point for the analysis of audit reforms in IOs, and aims at understanding whether it has value in studying audit reforms for such organizations.

The definition of audit and the difference between auditing and other practices of evaluation and verification are widely debated. While auditing traditionally refers to verification by an independent body, it also acts to hold actors entrusted with public power accountable by providing information to superiors, elected officials, or other specified actors (Barzelay, 1996; Von Maravic, 2011). Most of the criticisms against Michael Power's idea of "audit explosion" relate to his lack of a clear definition of the concept, so that almost every practice could be considered audit activity (Humphrey & Owen, 2000). Despite such interesting debate, for the purposes of the present article we use the term "audit" as an umbrella-term for every practice of verification and evaluation. Consequently, an audit architecture or system in the present research comprises all of the technical, procedural, and judicial settings necessary to run the full range of practices of verification and evaluation adopted by an organization. We define "audit reform" as a change to the existing architecture, and "auditors" as those in charge of auditing activities.

Our research adds to the existing body of literature (Grigorescu, 2008, 2010; Park, 2010; Weaver, 2010) by providing a comparative analysis of audit reforms in six IOs: the United Nations (UN), the World Bank (WB), the International Monetary Fund (IMF), the World Trade Organization (WTO), the Council of Europe (CoE), and the Organization for Economic Cooperation and Development (OECD) over the past 20 years. By investigating the characteristic traits of the IOs' audit transformation from their establishment to the actual situation, this article sheds light on the fundamentally changing approach to auditing these organizations.

Audits are traditionally associated with financial oversight and compliance; however, this article shows how the transformation of audit systems in IOs has led to a different architecture with complex webs of multiple actors. This new formula of auditing could be defined as traditional auditing plus additional practices such as evaluations, inspections, investigations, anticorruption screenings, or financial risk management (Lindeberg, 2007). The spread of audit practices in terms of functions, actors, and available financial resources marks a fundamental shift from the way IOs have been traditionally controlled (Grigorescu, 2008, 2010; Park, 2010). However, it raises doubts, just as in national administrative systems, about whether these high expectations will be met and how to run those complex audit systems (Power, 1997).

We first provide an overview of Power's framework explaining the idea of "audit explosion," then describe the changes that occurred in the audit architectures of the six selected IOs, and investigate the presence of the explanatory arguments raised by Power. Finally, we will discuss the evidence gained from the selected cases and its consistency with the established framework.

Research on audit reforms in IOs needs to be aware of the long-lasting discourse about their accountability (Buchanan & Keohane, 2006; Caporaso & Madeira, 2012; Habegger, 2010; Keohane & Nye, 2003: 426). This especially, as audit reforms happen in the context of global governance and international politics. This discourse, however, has mainly focused on more general questions of democratic accountability, participation of citizens and nongovernmental organizations (NGOs), and parliamentary control.

In the last decades, IOs have gained political and economic importance and have led to numerous studies about their role in global politics (Hoffmann, 1970; Karns & Mingst, 2008; Katzenstein, Keohane, & Krasner, 1998; Keohane & Nye, 1974).[1] Their power to influence national issues and the amount of their financial resources makes them fundamental players in global and national politics (King & Narlikar, 2003). Since World War II, an increasing number of tasks and functions have been delegated to IOs (Woods & Narlikar, 2001).

Woods and Narlikar argue that the accountability of IOs deserves a deeper analysis because of their intrusiveness and influence in everyday citizens' life and therefore they are "*facing a wider range of stakeholders claiming a right to hold the institutions to account*" (Woods & Narlikar, 2001: 569). Traditional mechanisms of accountability do not seem to work properly with IOs for several reasons; first, IOs often have a peculiar governance structure in which there are multiple principals with potentially conflicting aims and different power resources.[2] Second, and most importantly, Woods and Narlikar note that the connection between the citizens affected by decisions of IOs is indirect, since accountability is mediated by other layers of government (Woods & Narlikar, 2001). Third, IOs often have control over information which is rarely at disposal of its member's states (Kahler, 2004).

This brief account highlights the extent to which audit reforms happen in a complex web of politics and management of large bureaucracies; any analytical approach need to consider this context. The following paragraph introduces

Michael Power's observations about audit reforms with the intention of using some of those ideas for the context of IOs. In the 1990s, Michael Power offered a number of widely discussed observations about the characteristics, reasons, and consequences of audit reforms in modern society (Power, 1997, 2000, 2003). The "audit society," as depicted by Power, is characterized by a quantitative growth in auditing and evaluation practices in the backwaters of management reform (Hood, James, Jones, Scott, & Travers, 1998) and also by a qualitative transformation toward so-called value-for-money audits and other evaluation, inspection, and control systems (Power, 1997). These controls are not substitutes for traditional financial and compliance auditing but rather supplement them, extending audit mandates for existing auditing bodies and sometimes requiring new actors with specific competencies to carry out the newly added tasks as Power suggests (see also Dittenhofer, 2001).

Moving from the consideration of a quantitative increase of auditing in society, Power depicted a neurotic "audit society," obsessed with oversight, inspection, and control in which there is a clear decoupling between the promises of audit and reality. This approach has been widely discussed and criticized in the literature for not explaining audit society and for the difficulty to operationalize its concepts (Bowerman, Humphrey, & Owen, 2003; Humphrey & Owen, 2000; Power, 1997, 2000). Despite criticism, Power's approach allows investigation into the potential causes and features of the so-called audit explosion (Power, 2000; — and —, 2012). Power considers both contextual and organizational factors, classified in descriptive and explanatory (— and —, 2012), to be relevant in drawing a more differentiated picture of these changes.

The first explanatory factor of the audit explosion is the doctrine of New Public Management (NPM). Whereas auditing was traditionally a means of financial control for accounting specialists, the NPM hype of the 1990s, with its idea of creating more efficient and effective public organizations, has triggered an interest in indicators of economic success, their measurement, and assessment (Hood, 1995). This normative turn at the beginning of the 1980s toward new management ideas with its value-for-money doctrine provided an ideological ground for increasing the amount of audit services and empowering the auditors as the only experts able to safeguard scarce financial resources and in converting these organizations, which were seen by many as highly inefficient and wasteful, into more cost-sensitive and effective players (Leeuw, 1996).

Second, within Power's framework, audit explosion has also been explained by an increasing offer of auditing and scrutiny services created by the same organizations in charge of conducting them (Power, 2000). Professional auditing and accounting firms successfully elaborated different and increasing audit services, thereby encouraging the use of those practices (Power, 2003). Auditors themselves gained importance in the hierarchy and increased their own influence outside and within the organization itself. Today, they occupy highly ranked positions in public sector organizations, and have more staff and financial resources than before. This was hardly the case before as they often had supporting functions but usually did not belong to the organization's leadership structure. This new role as guardians of efficiency certainly helped in putting new audit themes, such as evaluations, integrity analysis, and anticorruption audits, on the agenda. Auditors themselves have been advocating the idea of more refined audit techniques and for the stronger role of their activities within the organization.

Such pressures and the introduction of new and more refined techniques of auditing, for example, performance audits and anticorruption procedures in the 1990s and 2000s, resulted in private as well as for public organizations also a strategy to regain legitimacy (Power, 1997: 7).

The third explanatory argument in favor for a rising "audit society" is the emergence of a strong request for more accountability coming from citizens and political parties (Power, 2000). At the heart of NPM reforms stood the hype for letting the managers manage, a plea for more managerial discretion, less hierarchy, and red tape (Pallot, 2003). Citizens and taxpayers, many of them highly critical of the work of public sector organizations at all levels, supported this new "partner" in increasing efficiency, safeguarding funds, and cutting activities. These "new" efficiency and accountability expectations and the increasing influence of auditors within the organizations themselves must be seen as having reinforced the momentum to change the audit system (Power, 2000). This informal coalition of influential actors inside and outside of these organizations enforced and institutionalized this new form of auditing.

Counterintuitively, Power argued that more auditing does not necessarily lead to better auditing. Power argues that the audit society might not be as effective as expected, since procedures of control and monitoring clearly can become

ritualistic, decoupled from reality, and self-perpetuating (Power, 1997). As auditing is more than a technical component of oversight and monitoring, it may be better viewed as a fundamental tool to legitimize modern management systems (Power, 2003).

As previously mentioned, Power's framework has been tested only at national and local levels with mixed results, while IOs operate at supranational level. Nevertheless, the outcomes of their activities and actions increasingly impact the economy and society at large so their accountability has become an issue under scrutiny. In such a scenario, the audit architecture is one of the ways through which IOs are helped to become accountable and deserves proper investigation.

2 | METHOD

This analysis is based on examining internal official documents (e.g., management manuals, handbooks, resolutions, audit reports, commission reports, and policy documents) available on the Web sites of six IOs: the UN, WB, IMF, WTO, CoE, and OECD.

The organizations were selected for a number of reasons: not only do they represent the largest and most publicly visible IOs, they also operate in different fields of activities, ranging from financial and monetary institutions (WB, IMF), human rights standard setting (CoE, UN), development, and aid relief (UN) to the tackling of social, economic, and political challenges (OECD, WTO). Additionally, three of them are active in policy implementation (WB, IMF, UN), while the OECD and CoE are more concerned with policy formulation and standardization, and the WTO with settling commercial conflicts among countries.

To increase the internal validity of the findings, several reviews of the information gathered have been carried out by interviewing audit experts from different IOs. These unstructured interviews serve to explore these specific developments in the audit architectures of IOs. Interviews were conducted from September 2011 through June 2012 in Strasbourg with a former vice-secretary general, three high-ranking auditors, two managers in the area of organizational reform, as well as four high-ranking diplomats, all members of the finance and audit committee, of major member countries of the CoE. The people interviewed were not selected on the basis of statistical representation but for their informed judgment to test and countercheck the conclusions drawn from examining official papers. All those interviewed share a longstanding working record in different IOs or international networks of auditors in IOs. Therefore, despite actually operating within a single IO, they were able to provide information about other IOs and the environment in which audit reforms took place. All agreed to these interviews on the basis of anonymity. During interviews, notes were taken separately by the two authors and then reconciled immediately afterwards. We do not use any direct quotations but these notes were used to triangulate the findings from the documents.

3 | HOLDING IOS ACCOUNTABLE

The aim of the present study is to illustrate the evolution of the audit architecture of the six selected IOs in the last three decades toward identifying whether the audit explosion took place as suggested by Power. All cases under investigation started their transformation in the mid-1990s from a simple, monolithic way of doing audits toward a more complex and multiple audit system. The new auditing consists of different types of auditors, encompasses functions such as evaluations, inspections, as well as traditional audits, plays an increasingly political role in IOs, and has in itself become more relevant in terms of human and financial resources within these organizations. Each case shows in detail that different steps and amount of time required to achieve this new way of auditing, but the outcome of the processes is interestingly similar.

3.1 | Audit architectures before the 1990s

The common starting point for all the IOs is characterized by a small number of bodies (one or two) responsible for all auditing services. When only one body is operating, it is normally an external auditor, often a Supreme Audit Institution

(SAI) of one of the member states. Sometimes it is complemented by a financial comptroller, in charge of checking the proper use of financial resources. A rotation mechanism is in place, so the external auditor changes every few years. The auditor may sometimes take the form of a board. The focus of the audit is traditionally narrow, being limited to compliance with internal regulations and statute and financial audits in order to avoid misuse of funds and unfaithful representations in the accounts. Standards adopted may rely on the IO's internal financial regulations, but in some cases, internal auditors opt for internationally recognized standards. Before the transformation, the number of resources, staff, and competencies to enforce decisions was scarce; all three aspects, as will be shown below, have changed ever since.

In most of the investigated cases, it can be observed that a proper internal audit function was established. As a consequence, sometimes there were two audit bodies, one internal and one external. In such cases, the internal audit function might (or might not) be coordinated with the services provided by the external auditor. The internal auditor used to report both to the Secretary General or Chief Executive Officer as well as to the governance body, for example, Council of Ministers, whereas the external auditor filed its reports directly and only to the governance body, which included representatives of the member countries. Table 1 offers a short description of the investigated IOs and of their audit architectures before the reforms as derived from official documents. The table aims to support with evidence the brief summary of the features contained at the beginning of the section.

3.2 | The evolution of the audit architectures in IOs

All IOs analyzed have experienced an increase in audit services over time so that, at present, more than one audit body is in charge of their external and internal audits. While previously national SAIs were in charge of the external audit, the present architectures feature private accounting or auditing companies as external auditors (e.g., IMF, WB), sometimes even complementing the service of another external auditor. The number of internal oversight bodies also increased and their importance in the organizational chart is often put in close relation with (sometimes even within) the governing bodies, for example, by promoting auditors to a position as vice-secretary general. Another consequence is that the increase in auditing services created an increase in the budgets of the audit bodies. As shown in Table 2, budget for internal and external auditing services increased in all IOs and in the UN, the budget more than tripled in 20 years in nominal terms.

Moreover, there has been an upsurge of additional services, for example, evaluation, investigations, and inspection. Coordination of all these intervening oversight bodies has become a relevant issue. Sometimes services can be coordinated by an internal commission, often belonging to the executive body that is responsible for overseeing other internal and external audit services (OECD). In other IOs, explicit coordination is missing (WTO). Recent years have shown that audit committees can take over this coordination function by overseeing the performance as well as the independence of internal and external auditing services. This coordination can, depending on the definition of functions, both be a threat to the independence of internal and external bodies and help to reduce overlapping tasks and conflicts. It is worth noting that the same bodies may carry out different auditing services, including compliance audits, performance audits, evaluations, inspections, and anticorruption activities, or particular bodies may be charged with specific activities. From this perspective, the evolution of audit architectures is largely characterized by a greater variety of audits, among them, activities specifically designed to address ethical breaches such as corruption, risk analysis, forensic audits, performance, and inspection (IMF, WB). In some other cases, ethical issues are included in other procedures (UN). It is interesting to note that while different bodies are often in charge of a plurality of tasks, sometimes bodies are created for the execution of specific tasks, for example, forensic audits. This means an increase in the total amount of auditing carried out, and also the possibility of overlapping competences and activities. The recipients of the audit reports are the main organs of the organization, so that the executive body, the secretariat, if present, and the general assembly can receive internal and external audits from different auditors, sometimes even using different standards of reporting and auditing (UN).

Audit standards are not always coherent: while internal auditors mainly rely on international standards of internal auditing (WTO, OECD), external auditors often rely on standards produced by the audited IO (UN). Similarly,

TABLE 1 IOs and their audit architectures

United Nations

The UN was created in 1945 after World War II with the mission to maintain peace and security among countries. From the original 51 members, it now comprises 193 Member States; due to the many issues in which the UN is involved, its governance structure is rather complex. The main UN bodies are the General Assembly, the Security Council, the Economic and Social Council, the Trusteeship Council, the International Court of Justice, and the Secretariat.

The UN was at the beginning audited by just two bodies: the Panel of External Auditors and Board of Auditors, whose main tasks were compliance and financial auditing as confirmed by the Resolution 347 (IV) (1949) – Annex A, 4.

The Panel of External Auditors was established under Resolution 347 (IV) (1949) and 1438 (XIV) of the General Assembly (1959).

The UN Board of Auditors was established under Resolution 74 (1946), to audit of the accounts of the UN and its funds and programs and to report its findings and recommendations to the Assembly through the Advisory Committee on Administrative and Budgetary Questions.

International Monetary Fund

The IMF was conceived in 1944 by representatives of 45 countries meeting at Bretton Woods to establish economic cooperation ensuring the stability of the international monetary system and to avoid a repeat of the Great Depression. A formal agreement was made in 1945 among 29 countries and the Fund became active in lending money in 1947. It acts as the main lender for countries in financial difficulties.

The IMF started its operations with a very limited architecture of audit. Only an external audit was compulsory in the first version of the bylaw (1946) and therefore only annual financial statements were controlled.

Council of Europe

The CoE was founded in 1947 to promote human rights, democracy, and cooperation between all European countries, including those that do not belong to the European Union; the founding idea was to create "greater unity" among member states (Art. 1, Statute of the Council of Europe). Today, the CoE numbers 47 member countries. Although it cannot make binding laws, it plays an influential role in setting standards, and its relevance grew in the years following the fall of the "Iron Curtain." The European Court of Human Rights enforces the European Convention on Human Rights and is probably the best-known body of this IO. Questions of democratic accountability have been raised before, though, especially with regard to the role of the parliamentary assembly.

Before 2001, CoE's audit architecture consisted of an internal financial comptroller and an external auditor. The financial controller was mainly responsible for questions of financial compliance and probity.

Organization for Economic Cooperation and Development

The OECD is an international organization currently comprising 34 countries. The Convention creating the OECD dates back to 1961, but originated in 1947 when the Organization for European Economic Cooperation was established to run the Marshall Plan for reconstruction in Europe after World War II. The current role of the OECD is achieving the highest sustainable economic growth and employment and a rising standard of living in Member countries, while maintaining financial stability. The OECD's main tasks are the production of studies and forecasts for single countries in order to suggest the best economic policies. The current budget is around 347 million euros and it employs more than 2,500 staff.

Until 2003 it had not an internal audit service. So all the audit was carried out by an External Auditor focusing on financial statements only.

World Trade Organization

The WTO was established in 1995, superseding the General Agreement of Trade and Tariffs (GATT). Its main task is to deal with the rules of trade between the countries in order to establish agreements able to foster international trade and to avoid commercial wars. Around 153 countries are currently members of the WTO. The WTO is based in Switzerland, has a budget of more than 160 million euros, and employs 640 personnel.

Being quite a recent IOs, it started in 1995 with only an external auditor.

World Bank

The WB was set up under the Bretton Woods Agreement at the end of World War II to support member countries' economic development through the establishment of appropriate institutions of governance and issuing loans in critical situations.

At the WB, a relatively stable audit system was established in 1970 consisting of an internal audit office, an external auditor, and an evaluation office. During this period, auditing was concerned mainly with its classic functions, compliance, and financial audits.

TABLE 2 Budgets of the audit bodies

	1994–95	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
	Data in Million $																			
UN Internal Oversight*	12.2	15.0	n.a.	18.4	n.a.	18.7	n.a.	20.3	n.a.	23.2	n.a.	31.3	n.a.	35.9	n.a.	38.9	n.a.	38.9	n.a.	38.9
World Bank Independent Evaluation Group**	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	26.4	27.5	28.8	30	31.3	32	33.5	32.5	34.4	33.6
World Bank Internal Audit***	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	5.4	6.1	7.1	7.7	9.0	9.4	9.6	10.8	11.8	11.9	11.9	9.6	9.3	8.6
IMF Independent Evaluation Office****	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	3.5	3.8	4.3	4.5	4.5	4.6	4.8	4.8	5.4	5.5	5.5	5.6
CoE Internal oversight*****	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.6	0.6	0.7	n.a.	1.3	1.3	1.4

Note: Data in Million $

Sources:

*UN Program Budgets – http://www.un.org/documents/resga.htm (Budgets cover 2 years).

**IEG budgets – http://documents.worldbank.org/curated/en/2013/08/18105068/world-bank-budget-fy14.

***WB Budget: http://documents.worldbank.org.

****IEO Annual reports – http://www.ieo-imf.org/ieo/pages/AnnualReports.aspx.

*****CoE Budget committee - http://www.coe.int/t/budgetcommittee/rules_en.asp.

No available details for OECD and WTO.

inspections are conducted according to internally produced manuals (UN). Table 3 provides evidence gained from the official documents about the main changes in the audit architectures of the six IOs.

4 | EXPLAINING AUDIT REFORMS IN IOs

The present section aims at understanding whether explanatory factors used by Power to explicate the audit society are present at the IO level during the period of analysis and can explain the increase in auditing services and bodies shown in the previous section. Considering the three factors (NPM, public demand for accountability, and increase of audit supply) against the empirical evidence reviewed in this context, we suggest that there is good reason to argue that two of the three factors identified in Michael Power's work are present, while the third, supply side, is only present in a limited or mediated form. Besides a wide emphasis of the role of private accounting firms pushing for more audit on the national level, the available information do not confirm a direct or visible role on the international level. Against this background, we find sufficient evidence to suggest that an informal coalition (citizens' argument) of citizens, NGOs, and politicians, most notably in North America, pushed the demand for more accountability onto the agenda. Corruption scandals, street protests, regulatory enforcement, and financial pressure by the U.S. Congress created a window of opportunity for new reform ideas – NPM argument – to unfold. A closer look at the role of this informal coalition reveals this coming together of a very heterogeneous set of factors.

During the last three decades, IOs have faced pressure from their member governments and economic experts. The NPM doctrine was indeed suggesting a more sober use of resources and the necessity to improve the value for money of activities (Pearson, 2014). Public sector organizations funded with citizens' financial resources need to plan, give account, and achieve higher levels of performance (Hood, 1995). The sirens of the NPM reform doctrine affected IOs and their audit systems as much as domestic systems of public administration (Bauer & Knill, 2007; Nay, 2011).

Such ideas were widely permeating national governments, and despite leading to different degrees of implementation, at least in the rhetoric they were undisputed and widely supported. They were applied also at the IO level due to the fact that many of the most influential countries in IOs were the leaders of the NPM movement. As a matter of fact, IOs were and still are funded by national countries often on the basis of their different financial capacity. United States is, in most of IOs, the main contributor (22% of the overall funding for UN, 21% for OECD, 18% for IMF, 12% for WTO). At the same time, US has been one of the leading countries in supporting NPM ideas (Hood, 1995).

The attention paid by the US: to IOs' performance and their use of resources and the consequences of the dissatisfaction can be highlighted by two well-known episodes. In 2000, the Meltzer Commission, officially called *The International Financial Institution Advisory Commission*, was established by the U.S. Congress in November 1998; it was tasked with drafting recommendations for future policy toward the WB, IMF, and a number of regional institutions. The Commission commented on the effectiveness of the WB in the following way: "[t]here is a wide gap between the Banks' rhetoric and promises and their performance and achievements" (Meltzer, 2000: 10). The main question was whether the institutions that were established at Bretton Woods in 1944 were by the turn of the century still well-equipped and capable of meeting the challenges of the globalized financial markets of the 21st century. This critique was especially severe and could not be ignored as it came from the U.S. Congress, one of the most influential member states. The United States, and the U.S. Congress in particular, decided to make their contributions to the International Development Association, part of the WB Group, conditional upon the establishment of an independent inspection panel to improve the oversight of funds (cf. Caporaso & Madeira, 2012: 122–124; Grigorescu, 2008, 2010; Park, 2010).

The Sarbanes–Oxley Act of 2002 passed by the 107th Congress of the United States in 2002 introduced by the U.S. Congress in response to a number of accounting scandals in US companies, for example, Enron and WorldCom, emphasized the need for audit reforms, provided a template for reviewing procedures and organizational structures of IOs, and defined the direction of necessary measures. Apart from reforming the lending mechanisms, which was especially propagated by the Commission led by Allan Meltzer, basic recommendations centered around organizational measures toward improving integrity and accountability: these included establishing an audit committee, safeguarding the auditor's independence, and defining transparent and professional audit standards.

TABLE 3 Changes in IOs' audit architectures

United Nations	
During the 1960s, the Joint Inspection Unit (JIU) was added.	The JIU was created on an experimental basis under General Assembly Resolution 2150 in 1966. The Unit is composed of not more than 11 inspectors appointed by the General Assembly on the basis of their special experience in national or international administrative and financial matters, and with due regard to the principle of equitable geographical distribution and of reasonable rotation.
In 1994, the Office of Internal Oversight Services (OIOS) was formed.	It is an operationally independent office that assists the Secretary-General in fulfilling his/her internal oversight responsibilities in respect of the resources and staff of the Organization through monitoring, internal audit, inspection, evaluation, and investigation. See Resolution 48/218B (1994).
In 2005, the Independent Audit Advisory Committee (IAAC) was established.	Resolution 60/248 of December 23, 2005 established the IAAC to assist the General Assembly in discharging its oversight function. The specific terms of reference of the IAAC were adopted by the Assembly in a subsequent resolution 61/275 of June 29, 2007. The tasks of the IAAC as they relate to internal oversight are very broad and include the oversight of OIOS activities but also, more generally, an advisory role on deficiencies of the internal control system of the UN.
In 2008, the Inspection and Evaluation Division (IED) was established within OIOS.	Previously named the Monitoring, Evaluation and Consulting Division (MECD), IED was established under Resolution 48/218B. Today, it is in charge of conducting independent inspections and evaluations on behalf of the Secretary-General and the Member States in order to assist intergovernmental bodies and program managers in evaluating the relevance, efficiency, effectiveness, and impact of Secretariat programs.
OIOS also includes the Investigations Division.	The Investigations Division operates a 24-hour confidential hotline. The Division can subsequently start an investigation in secret. It can therefore have direct access to records, data, sites, and staff without any hindrance or need for prior clearance. The Investigations Division follows up on reports of possible violations of rules or regulations, mismanagement, misconduct, waste of resources, or abuse of authority.
And the Internal Audit Division.	The Internal Audit Division's function is an independent assurance and advisory activity designed to add value and improve the Organization's operations. Internal audits help the Organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes.
International Monetary Fund	
In 2001 the Internal Evaluation Office (IEO) was created.	In the 1990s, it started to use performance audit and evaluation, initially appointing external experts and then creating the IEO.
Office of Internal Audit and Inspection (OIA).	It independently examines the effectiveness of the Fund's risk management, control, and governance processes. In April 2011, its mandate was extended to cover IEO activities. Separate from its internal audit function, the OIA also serves as Secretariat to the Advisory Committee on Risk Management. In this capacity, the OIA coordinates the production of an annual risk management report to the Board.
External Audit Committee (EAC).	It has three members, selected by the Executive Board and appointed by the Managing Director. The EAC oversees the annual audit. Members, who serve 3-year terms on a staggered basis and are independent of the Fund, are nationals of different member countries and must possess the expertise and qualifications required to oversee the annual audit.
External audit firm.	The external audit firm, which is selected by the Executive Board in consultation with the EAC and appointed by the Managing Director, is responsible for conducting the IMF's annual external audit and expressing an opinion on its financial statements, accounts administered under Article V, Section 2(b), and the Staff Retirement Plan.
In 2000, the IMF established the Ethics Office.	It is aimed to provide ethics advice and which reports directly to the Managing Director. In addition to its advisory and education mandate, the Ethics Office also has investigative powers. It conducts confidential internal investigations into allegations of unethical behavior and/or misconduct, and in 2008 set up a 24-hour Integrity Hotline to facilitate this.

(Continues)

TABLE 3   (Continued)

Council of Europe	
Internal Auditor was established on January 1, 2001.	It implemented a number of additional amendments to the financial management and audit system. The new internal auditor took responsibility for improving the management, governance, and accountability of the entire organization.
Single External Auditor	Replaced the Board of Auditors composed by three members.
Audit Committee was established in 2008.	It is an overarching body with an appraisal and consultative function. This body meets two or three times per year, reports directly to the Council of Ministers, and advises the Secretary General on questions of internal and external control. As an independent body, it safeguards the independent functioning of the Internal Auditor.
Directorate of Internal Oversight was established in 2010.	It has been provided with audit and evaluation functions.
Organization for Economic Cooperation and Development	
Internal Audit Office was established in 2003.	It began conducting compliance and performance audits and by 2006 was also performing evaluations to reduce risks.
Evaluation Committee established in 2005.	It has six members from different countries. The Committee has the task of conducting evaluations to assess whether Committees are conducting processes, delivering outputs, and achieving impacts that are in line with Members' policy expectations and priorities and with the comparative advantage of the OECD.
Audit Committee was established in 2008.	It is composed of nine members from different countries, often belonging to national SAIs. The main task of the Audit Committee is to monitor the independence and effectiveness of the internal and external audit functions and review the financial situation of the organization. It shall reports to the Council on a regular basis.
The External Auditor enlarged its duties.	It is represented by the SAI of a member country, and it is now in charge of performance and compliance audits.
World Trade Organization	
In 2008 a Division of the Secretariat started carrying out internal audit.	It has compliance and performance audit responsibilities.
SAI as external auditor.	It has compliance and performance audit responsibilities.
World Bank	
Audit Committee was established in 1994.	Established with the Resolution Nos. 94-4, IDA 94-1 and IFC No. 94-21, adopted May 31, 1994, it reported reports to the Board of Directors and oversees the functioning of the internal auditor, and the functioning and appointment of the external auditor, as well as the Vice-Presidency, with regard to the effectiveness of anti-fraud and anticorruption measures.
In 1997, the Internal Audit Department (IAD) established a small investigation unit (the Internal Auditing Department Investigations Unit (IADIU).	It is aimed to handle growing allegations of fraud and corruption.
Inspection Panel established in 2010.	The Inspection Panel was created on the legal basis of Resolution IBRD 93-10 and Resolution IDA 93–6. Reporting directly to the Board of Executive Directors, the Inspection Panel independently investigates Bank-financed projects in response to demands from affected people.
Department of Institutional Integrity.	Its director is serving as Vice-President of the Bank and it has functions that include forensic auditing as well as special investigations of fraud, corruption, and staff misconduct.
Independent Evaluation Group.	Its mandate is to carry out independent and objective evaluation of the strategies, policies, programs, projects, and corporate activities of the World Bank Group.

The 1990s witnessed the rise of an informal coalition between governments, nongovernmental actors, protesters, and intellectuals criticizing IOs for their governance and lack of transparency (Meltzer, 2000; Park, 2010). It is easy to describe actors that pursue similar goals as a coalition. However, such demand came from a heterogeneous set of actors from different countries, within and outside government organizations, academia, and civil society, which shared a very vague idea on how to intervene. Ideas ranged from abolishing IOs, as in the case of rioters of the antiglobalization movement, to better accountability as improving the lending mechanisms, or the establishment of specific institutions of auditing. With the 1999 protest activities surrounding the WTO Ministerial Conference in Seattle and the violent clashes between protesters and law enforcement officers accompanying those trade negotiations, the so-called antiglobalization movement received global media coverage and worldwide attention for its criticism of globalization, capitalism, and the role of the Bretton Woods institutions. The WB and the IMF became epitomes for all the negative outcomes coming from the free market and capitalism. The global financial actors faced severe criticism for their role in the global financial system, their failure to support the poor, corruption, and mismanagement, and for not being sufficiently held accountable by their members' states. This movement was hard to ignore as it did not only feature violent protesters, who could be easily dismissed, but was carried and supported by renowned university professors, journalists, members of the Catholic Church, NGOs, as well as the former staff of those organizations, such as the former chief economist of the WB, Joseph E. Stiglitz, from both developed and underdeveloped countries. A very powerful propellant for protests became the multiple scandals involving IOs. The failure to install sufficient audit mechanisms to safeguard the allocation of resources was identified as a major factor in allowing this to happen. The Volcker Commission stated that "*the United Nations' observation mechanism suffered critical management failures that reduced the effectiveness of its monitoring capabilities*" (Volcker, Goldstone, and Pieth, 2005: 301).

The wider public became aware of corruption, fraud, and mismanagement as well in the 1990s, when reports about integrity breaches surfaced in the press. The best-known episode is probably the corruption in the UN's "Oil-for-Food Program" (1995–2003). Described by a US senator as "*the biggest financial scandal ever*," the program originally aimed at reducing the impact of the economic sanctions imposed on Iraq through the supervised selling of oil by the UN. Such supervision proved weak; Saddam Hussein, the Iraqi dictator, and his cronies were accused of having received 1.8 billion dollars of illegal payments from more than 2,000 of the 4,500 companies involved in the program.[3]

According to a report by Volcker et al. (2005), head of the Independent Inquiry Committee into the UN's Oil-for-Food Program: "*the Iraqi regime ultimately derived $228.8 million of illicit income from the payment of surcharges in connection with oil contracts under the Programme*" (p. 2) and "*Iraq derived more than $1.5 billion in income from kickbacks in humanitarian goods transactions*" (p. 4).

The WB was also widely criticized for its lending activities to some of the cruelest dictators in Africa and Asia during the 1960s and 1970s. Huge sums have been lent to the Ethiopian Marxist regime of Mengistu Haile Mariam, who was found guilty of genocide in Ethiopia during the 1980s.[4] Similarly, the IMF was criticized for having supported South American military dictators, such as Humberto de Alencar Castello Branco in 1960. In July 2003, an official working for the UN World Meteorological Organization was caught stealing the organization's funds for private purposes. Through the subsequent investigation, it emerged that he had been stealing money for years and that several other agency officials had been negligent.[5]

In all these cases, the audit system was identified as the "Achilles heel" allowing or even facilitating corruption and fraud (Grigorescu, 2008). Such systems have been identified or blamed for being unable to detect and curb corruption and misbehavior. The concern about lacking or inefficient mechanisms to hold IOs accountable as well as reports about noncompliance of staff with internal rules and regulations, spurred the discussion on reforming the audit system (Burall & Neligan, 2005; Mathiason, 2004).

Moreover, our analysis shows that later in the reform process, private accounting firms play a role in auditing only the WB and the IMF while in the other cases such role has been kept by the SAI of member states. On the other hand, the involvement of SAIs in the bodies in charge of audit services within IOs has increased and the positions of such bodies in the organizational chart have often placed them closer to the top, signaling an expanding importance of SAIs among the constituencies of IOs. Finally, the cases analyzed revealed an increased use of audit standards produced by IOs (i.e., COSO framework) but it is quite difficult to demonstrate that the same standard-setting organizations had

TABLE 4 Summary of the changes

	Before the 1990s	After the 1990s
Type of auditors	Only External or Internal + external	Multiple internal oversight bodies + multiple external oversight bodies + private audit companies
No. of auditors	1 internal, 1 external	More than one external and internal oversight bodies
Interaction between audit actors	Limited or no coordination among actors	Extended centralized coordination often through committees
Types of audits	Narrow focus 1. Financial 2. Legal	Multiple types 1. Financial 2. Legal 3. Performance (external and internal) 4. Evaluation 5. Anticorruption 6. Risk assessment 7. Forensic audit
Composition of external audit boards	1. One single country rotation system 2. Appointed members from different countries.	One country contracted or members from different countries or a private corporation, namely an audit firm.
Standards of audit	Internal to the IO and international	Internal to the IO and international

the capacity and the political strength to impose their standards to broaden their own market, especially because, as already mentioned, auditing services are in most cases still carried out by SAIs. Table 4 summarizes the general features of the changes occurred over time in the audit architectures of IOs.

5 | DISCUSSION AND CONCLUSION

The analysis shows generally converging trends toward a new audit architecture with the characteristics that Power described (Power, 1997, 2003). As a consequence, the framework seems to be able to highlight the relevant changes of the audit architectures at IOs' level. Multiple actors in charge of auditing, overlapping competencies, and different types of audit, including inspection, anticorruption, and risk management, characterize auditing in IOs and underline a growing trend. Such trends are confirmed by a recent study (Grigorescu, 2010). However, explaining the evolution of audit systems in IOs shows only a partial consistency with Power's proposals and requires further investigation, especially at the single organizational level. While the cases emphasize the relevance of NPM ideas and the increase of demand for accountability and transparency coming from the public at large, the supply side explanation seems to be confirmed only regarding the standards adopted by the different bodies in charge of the internal audit services. Internal auditors rely mainly on international standards for auditing, such as the International Standard for the Professional Practice of Internal Auditing, issued by the Institute of Internal Auditors, an international association established in 1941 in the United States. Whether or not such international associations have the necessary power to increase the demand for the services they produce is yet to be proven empirically. However, it should be noted that such associations offer a wide range of services including the definition of audit standards, the preparation of audit manuals, training, and certification of audit officials, often adopted by the IOs, signaling that these associations' voices are not without listeners. In our analysis, the SAIs emerged as strong actors both outside and within the IOs. The SAIs are the only actors always present in all IOs as external auditors and their competences have been extended to include performance audits, as at national levels (Clark, De Martinis, & Krambia-Kapardis, 2007). This would suggest that reforms at the international level somehow mirror what is happening at the national one. However, SAIs are not uniform actors but

originate from different juridical and institutional contexts in which they may play different roles (OECD, 1996; Pollitt, 2003). In addition, they have been influenced by the NPM precepts with different intensities (Pollitt & Summa, 1997). We can assume that this affects the way auditing is conducted in IOs. At the same time, we observe a few cases in which SAIs have been replaced by private accounting firms for external audit services. On the other side, SAI now cover different roles in different bodies operating inside the IOs, so that they might introduce other national characteristics to IOs.

Finally, while the current literature places audit reforms within the wider framework of modernization of the whole public sector (Pollitt & Summa, 2002), there are some specific drivers of change, which are peculiar to audit systems in IOs. In other words, the economic rationale does not fully explain the increase of audit services and their differentiation (— and — 2012). The literature debates whether processes of reforms are only lead by the contingencies or if there are also internal processes favoring or impeding them (Pollitt, 2003). In particular, current scholarship recognizes that management reforms in IOs have external and internal driving forces whose combined effects might have led to the present setting (Bauer & Knill, 2007). While the explanations provided by Power's framework take into consideration external factors, the role of internal features such as size and micromanagement within the single IOs has yet to be discussed.

Without any doubt, IOs have grown in size and complexity along the years, which has increased the necessity for both internal and external auditing services.

IOs have peculiar governance settings in which richer member states play the bigger political and financial roles (Woods & Narlikar, 2001). Therefore, single countries' interests might play a role in shaping the audit architecture. Additionally, since organizations are made of men it is reasonable to think that power games, conflicts, and different levels of leaderships play a role in this scenario.

Finally, the consequences of this transformation for safeguarding the integrity and management of resources await further empirical investigation. Contingent and contextual factors may require IOs to try to restore their legitimacy with the public at large or at least to maintain the political and financial support from the largest contributors (Coicaud, 2001; Torres, 2007). The increase in auditing services may then be explained as a way through which an organization can control its own compliance with regulation and performance. However, an increase in legitimacy does not necessarily result in an increase in fighting integrity breaches and effectiveness. These questions provide the basis for further research, as these broad trends seem to be occurring in all major global players.

ACKNOWLEDGMENT

NOTES

[1] In addition to the traditional functions of IOs, which encompass the "(1) provision of services, (2) norm creation and allocation, (3) rule observance and settlement of disputes, and (4) operation" (Skolnikoff, quoted by Keohane & Nye, 1974: 54), they are often involved in complex, multilateral, and enduring issues, where cooperation and communication is required among different actors (Keohane & Nye, 1974: 54). Since World War II, an increasing number of tasks and functions have been delegated to IOs. The increasing awareness of international interdependence and transnational problems in the areas of trade, security, environment, or poverty has propelled the creation of transnational institutions at the global level (Held, 2005; Kahler, 2004). The increased interdependence of the economies requires greater coordination and IOs are supposed to be able to reduce inequalities among countries, provide multilateral agreements about a number of different issues, and become the stage for the formulation of international laws and norms (Coicaud, 2001).

[2] Even the participation in the meetings can be quite difficult for poor countries: it may happen that they cannot afford to stay long stays in negotiations or simply that they lack the necessary technical expertise for active participation. Equality in representation exists often more on paper than actually being substantial (Held, 2005).

[3] See http://www.economist.com/node/2633809

[4] For details, see: http://www.cato.org/pubs/pas/pa092.html

[5] For further details see the NYTimes Web site at: http://query.nytimes.com/gst/fullpage.html?res=9C04EFD81F3BF93AA 35751C0A9639C8B63&pagewanted=all)

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