

## PERFORMANCE AUDIT ROLE IN THE QUALITY OF PUBLIC SERVICES AND SOCIAL WELFARE: TIRANA MUNICIPALITY CASE STUDY

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**Abstract:** *Good governance commences at the local level. This happens, because the same principles of good governance are applied in both local and central levels of governance. Local government authorities, elected independently from the community of a certain territorial communion, are entities where direct democracy and citizen representation is exercised, public services are provided and socio-economic development takes place. The administrative-territorial reform, as a forerunner of a series of local government reforms, created a new and favourable framework in the context of local government authorities' empowerment and public services efficiency. It also reshaped the challenges of advancing local democracy and engaging citizens in public affairs. The local governance performance and the way it interacts with citizens influence the behaviour of the latter, as well as the intercommunity relations, cohesion and trust within and between communities relations; this legitimizes local government efforts and promotes sustainable development. Institutional performance in public sector, also called governmental performance, is often measured by indicators (related to resources and outcomes, but there is an increasing consensus of the fact that monetary resources are not enough. Obviously, the results of local governance are difficult to measure objectively. This study aims to provide an overview of local governance in Albania, focusing on public opinion and satisfaction with Tirana Municipality activity. Thus, what is the public perception towards Tirana Municipality activity and what would the citizens of Tirana like to change or improve on local government service delivery? This is followed by the well-known assumption that citizens rely on personal experiences when they create their own views, which are closely related to their knowledge and understanding of local government performance as a starting point for good governance, and in some cases they can make local authorities liable for issues that are not under their direct control. For this reason, the key purpose of this research is to evaluate main stakeholders' perception such as: the employees and high level officials of Tirana Municipality, as service providers, and citizens or entrepreneurs of Tirana Municipality, as beneficiaries of these services. In this context, it is also interesting to find a correlation between their perceptions on performance of public services delivered, in order to increase performance and social welfare. Although the results of the study do not constitute scientific measurements, they highlight the most prominent problems of Tirana Municipality as well as the perception that citizens or entrepreneurs of Tirana Municipality have for their opportunities, role and influence on important issues such as transparency, accountability, rule of law and citizen participation. What we seek to achieve at the end of all the analysis is the assessment of performance audit role in the Albanian public sector, a measurement that will be realized mainly through the perception of citizens or entrepreneurs, as well as the perception of employees and head officials of Tirana Municipality, studying a representative sample for each category. The basic prerequisite is that the positive impact of performance audit or the growth of its role in helping good governance shall increase the perception of improving the quality of local governance as well as the public satisfaction; these indicators of satisfaction can be therefore used as indicators of good governance.*

**Keywords:** Performance, Tirana Municipality, Good governance, Public service.

**JEL Classification Codes:** C40, H83.



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## 1. INTRODUCTION

At the beginning of this millennium, good governance was introduced as a relatively new concept, primary for the war against anti-corruption and anti-formality. Good governance has expanded its basic concept as part of the new notion of development attempting to become part of it. Nowadays, it represents a global phenomenon labeled as “New Public Management”. The connection between this new way of managing the public sector and the activity, of both governing public institutions and stakeholders themselves, has a very important role because it improves governance efficiency. The key to a good performance is the effective interaction between all the stakeholders in governance. This resulted in an urgent need for new institutions to control and supervise this new initiative. The auditing thus began to become a necessity and a key practice within public financial management by improving the performance of the public sector in general. Nowadays this practice has extended its use, setting its objectives not only in the economic and financial problems but also in the social welfare induced by the implementation of the governing activity. Actually, the new role of public sector audit presents a contemporary vision that combines its traditional objectives with the consulting and management objectives in various disciplines and sectors. In this context, studying the efficiency and effectiveness of performance auditing in public institutions, as a special contemporary auditing discipline, becomes a research priority in this study.

The main purpose of this research is to evaluate the effectiveness of the performance auditing in the Albanian public sector. Also how this process serves its purpose of raising general awareness and maximizing efficient and effective use of public funds, promoting performance improvement and good governance at all levels in public organizations and also positive changes in Albanian public perception. This research is based on an actual analysis of performance auditing in the Municipality of Tirana, studying a representative sample. The main purpose of performance auditing in public institutions is keeping the balance of economy, effectiveness and efficiency while performing in the best and most organized way. This would result in the progress of these public institutions as well as using public funds properly.

The main issues that will be analyzed in this study, are: a) satisfaction of citizens and entrepreneurs with local government performance and its impact on service quality; b) three dimensional perception of the key stakeholders selected about the role of performance auditing in the municipality of Tirana c) an eventual correlation between the above perceptions regarding the role of performance auditing on the performance improvement of the audited public institution.

Citizens provide the best appraisal to be considered in evaluating the institutional performance and the overall quality of public services provided. This assessment is based on the use of public opinion surveys as a measuring tool for citizen satisfaction levels with local government. Citizens’ satisfaction with public services and institutions is an important factor as regards the future participation of citizens in actions related to good governance. It can be gauged by the citizen perceptions of the value of services (and other goods) perceived, where this value is equal to the perceived services (and other goods) quality above their price (Hallowell, 1996). In this context, Fornel added that the most significant indicator of citizens’ satisfaction level is the perceived services (and other goods) quality. Continuing our thoughts on the quality of public services perceived, makes us reflect on the importance of evaluating their perceived quality in local government. Considering the existing deficiencies of the researches conducted in this field, the author initiated this research on the assessment of the three dimensional perception of the key stakeholders selected about governance performance: employees’ perception of provided services (and other goods) quality by the public institutions, directors’ perception of the public institutions (as service and good providers), and of course the

citizens/ entrepreneurs' perception of perceived services (and other goods) quality, as the beneficiaries of these services (and other goods). The need for assessment of public service quality and citizens' satisfaction is closely connected to setting its indicators, as part of the overall assessment of public sector performance, in order to further consolidate the local government institution (Municipality of Tirana) taken into consideration, and also improve the provided services (and other goods) by increasing local citizens' satisfaction. For this purpose, the need arises for government entities, official workers, citizens, business representatives, media, civil society, etc. to appreciate and give the necessary importance and role to performance audit<sup>1</sup> and auditor especially, simultaneously. For this reason, this research needs to take into consideration as well the external public auditors' perception of performance audit role on institutional performance improvement of the audited public institution, as an indicator that influences the efficiency and effectiveness of performance audit in the chosen public institution.

Moreover, this research will also serve to find an eventual correlation (if there is any) between the above perceptions, for the purpose of improving institutional performance and social welfare. The analysis and understanding of this three points of view (starting with the directors' perception of the audited institution (Municipality of Tirana), employees' perception, local citizens and/or entrepreneurs' perception), whether true or perceived, are an important factor in the: improvement of the public service (and other goods) quality, transparency and accountability of the audited institutions and, consequently, institutional activity for the benefit of Albanian taxpayers.

Thus, this study aims to fill the missing information that exist in this specific field, mainly focusing on the role of the performance auditing in the Albanian public sector and also hoping for better awareness and activation of all the interested stakeholders.

## 2. DATA SET AND METHODOLOGY

The method used to measure the satisfaction level of local citizens, local entrepreneurs, employees and high profile directors of the Municipality of Tirana by estimating their perceptions of the perceived/ provided services (and other goods) quality and transparency, was a combination of quantitative and qualitative research techniques. This combination of techniques was used to achieve the necessary results and to understand the essential role of the performance auditing in the local governance provided by the Municipality of Tirana.

The quantitative research involves three types of survey: citizen/ entrepreneur surveys, employee surveys and director surveys. They were carried out face to face (*face to face survey*), via email (*email survey*) and via internet (*web survey*), in order to obtain quantitative information by using a representative sample. All the surveys were also anonymous because their purpose was to gather as much valuable answers as possible, in order to achieve a reliable and accurate study. The reliability and accurateness of the quantitative data collected was evaluated by the Cronbach's Alpha. Depending on this purpose, this research has used Cronbach's Alpha level greater than 0.7 for all the analyzed surveys. The surveys were initially tested by using a strategy of pilot survey, which fundamental purpose is to examine the feasibility of an approach that is intended to be used in this study in a larger scale.

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<sup>1</sup> *Note:* With the entry into force on 6.02.2015 of the Law no. 154/2014, "On the organization and functioning of the State Supreme Audit Institution" performance audit became a legal obligation for ALSAI, evaluating it on the same level of importance as the most developed Supreme Audit Institutions (SAIs) are evaluated in this field. Nowadays, ALSAI is engaged in the development and consolidation of this new practise of auditing, well aware of the impact that performance auditing generates in the public sector activities and public opinion.

The pilot survey was conducted among a local sample of 30 citizens/ entrepreneurs, employees and directors of the Municipality of Tirana, with the aim of evaluating the clarity, understanding and structure of the questionnaire questions. After the pilot survey, the surveys were then conducted to the planned sample size.

The first survey<sup>2</sup> is a citizens/ entrepreneurs' survey. The survey of citizens/ entrepreneurs' satisfaction with local public services and institutional performance is realized in eleven administrative units (referred to as municipal units) of the Urban Tirana. The surveys were carried out face to face in the Division of Public Information and Services, Municipality of Tirana, via links in a web page and via email. The final sample size is equal to 481 citizens/entrepreneurs, calculating a 20% of no answers from the participants. In total, the representative sample includes 51.6% females and 48.8% males, with no significant difference in response rates between them ( $p=0.5$ ). There is a high participation of the young active age group 26-35, which represent 30.4 % of the total number of participants ( $p<0.01$ ), as well as a high participation of respondents with a university education (68.9%) ( $p<0.01$ ).

Meanwhile, the second survey<sup>3</sup> is an employees' survey. More specifically, this survey is used to measure the public administration employees' opinion, in some of the main departments of the Tirana's Municipality, as providers of the public services (and other goods) toward local citizens and/or entrepreneurs. The surveys were carried out via e-mail, as the questionnaires were sent to the employees by email from the Human Resources Department, in the Municipality of Tirana. The final sample size considered is equal to 255 public administration employees of the Municipality of Tirana, which is a representative sample based on a confidence interval of 95%, a study power of 80% and a significance level of 0.05. In total, the representative sample includes 67.5% females and 32.5% males, with a significant difference in response rates between them ( $p<0.01$ ). There is a high participation of the young active age group 26-35, which represent 62% of the total participants ( $p<0.01$ ), and also a high participation of respondents with a university education (96.9%) ( $p<0.01$ ).

The third survey<sup>4</sup> is a high profile directors' survey. This survey was conducted among 22 department directors who manage the main departments of the Tirana Municipality that provide public services (and other goods) to the local citizens and/ or entrepreneurs, e.g. Department of State Social Service, Department of Public Works, Department of Planning and Urban Development, Department of Public Relations and Information, etc.. Initially, the high profile directors' surveys were carried out via e-mail. Afterwards, the high profile directors were interviewed individually (face to face) by the author, in order to verify the authenticity of the answers provided by the respondents who answered the survey. In total, the representative sample includes 54.5% females and 45.5% males, with no significant difference in response rates between them ( $p=0.8$ ). There is a high participation of the young active age group 26-35, which represent 45.5% of the total participants ( $p=0.04$ ), as well as a high participation of respondents with a university education (77.3%) ( $p<0.01$ ).

The qualitative research involves two types of individual interviews that were conducted among the high profile directors and external public auditors, respectively: 1) individual interviews with open-ended questions with 22 high profile directors, and 2) semi-structured interviews with 11 external public auditors from the Performance Audit Department, in the Albanian Supreme State Audit Institution. All the personal interviews were carried out face to face. The purpose of conducting a personal interview survey is to explore the responses of the participants and to gather more and deeper information.

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<sup>2</sup> *Note:* The first survey period is from 01.09.2018 till 31.12.2018

<sup>3</sup> *Note:* The second survey period is from 01.11.2018 till 31.12.2018

<sup>4</sup> *Note:* The third survey period is from 01.11.2018 till 31.12.2018

A total of 11 external public auditors were interviewed, 64% males and 36% females. Yet again the young active age group 26-35 prevails in the interviewed auditors (63.6%), whereas 2 (18.2%) belong to the age group between 56-65 years. From the interviewed auditors, 9 of them have a university degree (81.8%), 1 of them has a Ph.D. degree (9.1%), and the last one left belongs to an undefined education level.

The quantitative data were analyzed by combining elements of relational and descriptive nature. Meanwhile, the qualitative data were analyzed using content analysis. All the open ended questions and qualitative data are coded, categorized and analyzed (by conceptual analysis) (Horn, 2012). Below are given the main findings of the study.

### **3. EMPIRICAL FINDINGS**

#### **3.1. Citizen/entrepreneur perceptions of local government service quality: evidence from Municipality of Tirana**

Regarding the local government service quality provided by the Municipality of Tirana, most of the citizens and entrepreneurs (47.4%) declare that they are satisfied or very satisfied with the services (and other goods) provided; (26.2%) of them declare that they are dissatisfied or very dissatisfied, with a significant difference in response rates between them ( $p < 0.05$ );

Regarding the level of public (citizens and entrepreneurs) satisfaction with the perceived services from Municipality of Tirana, for the period 2014-2018, no relevant difference was found between the respondents who were satisfied and very satisfied (27.7%) and those who were dissatisfied and very dissatisfied (26.2%). In this research, all public services taken into account are those that citizens and entrepreneurs obtain on a daily basis, e.g. public transport, potable water supply, road infrastructure, parking, communal services, social services, etc.

Regarding the fiscal package of local taxes and fees in the city of Tirana, most respondents declare that they are dissatisfied or very dissatisfied with the local fees (55%) and local taxes they have to pay periodically (57.8%). This dissatisfaction comes mostly because citizens and/or entrepreneurs declare that they do not have enough income to pay them or they also complain of not receiving services properly even when the payments are made regularly. Certainly, they also require a higher tax collection capacity without any preferential treatment of the taxpayers. Meanwhile a minority of respondents, respectively 18.3% and 17.4% declare that they are satisfied and very satisfied with the current local taxes and fees. The answers that weren't included in the predetermined "answer choices" of the questionnaire are included in the answer choice "Other". In this category are included the respondents who declare that don't pay local taxes and/or fees because: they live in a rented house (0.4%), they live abroad (1%), they benefit an economic assistance (0.4%), and they are retired householders (0.2 %).

Citizens and entrepreneurs were asked how satisfied are they with the managed complaint letters that were sent to the Municipality of Tirana and also how trustworthy this institution is. From the results of this survey, it is clear that the procedures for requests and complaints from citizens/ entrepreneurs need much improvement.

The majority of citizens and entrepreneurs (39.1%) expressed their dissatisfaction on how their complaints were managed by the administrative workers. They think the complaints are not equally managed as per required standard and the compliance of meeting deadlines from the Municipality leaves much to be desired. Even though, the majority of the respondents (42.4%) trust in public institutions and they think the public services (and other goods) are well provided for and, in the Municipality of Tirana only 33.4% of the total participants are faithful to the local government.

The question arises: is there a connection between the local governance performance and its reliability? The respondent's answers regarding the Municipality of Tirana's performance and its public services quality before and after the performance audit from ALSAI were: the majority of the participants declared that they were dissatisfied and very dissatisfied (31.4%) with the local governance performance before the auditing (i.e. before 2016).

Meanwhile there is a significant difference in response rates after the performance audit, as the majority of the total participants (52.3%) were satisfied and very satisfied with the local governance performance. The results of this survey prove a rise (of 29.1%) in local customer satisfaction with local government performance during the last two years. Therefore we are allowed to say that performance auditing has a significant role in increasing public trust in local government as well as positive impact on local citizen/ entrepreneur perceptions of municipal services quality. One other thing to be noted is also the increasing awareness of the local government entities on the importance of performance auditing, as an effective and value-added activity that promotes good governance and improves the public services quality, enhancing social welfare.

We also analyzed a few other indicators on the usage of technology for the purpose to assess the electronic interaction between the Municipality of Tirana and local citizens/ entrepreneurs. The collected data show us that the majority of respondents (61.5%), so more than half of them, had previous knowledge of the institutional website and used its electronic service for different reasons. Only 38.5% of the total respondents had no knowledge of the website and therefore they didn't use it. It's important to be said that: the questions referring to the electronic service offered by the Municipality of Tirana were only asked to the citizens/ entrepreneurs who had knowledge of the website.

To conclude our findings we can affirm that the female respondents' perception of the local government performance is more positive than that of males, with a significant difference in response rates between them ( $p < 0.01$ ). Also to be noted is the fact that individuals below 35 years old are less satisfied with the institutional performance before the performance audit by ALSAI. From the quantitative and qualitative analysis of the results obtained, we can admit that on most indicators we don't have a positive perception from the age group below 35 years old. To be more exact, they are not satisfied with the public services quality, in general. Also they are dissatisfied with local taxes and don't trust in the institution at all. They also believe that the municipality workers are not always available, do not show the necessary respect to them and are not transparent and professional; compared to the age group above 35 years old, there is significant difference in response rates between them ( $p < 0.01$ ). Meanwhile the respondents with a university and Ph.D. degree are more often neutral or dissatisfied. The respondents with a lesser school education are the most satisfied with the provided services quality and the institutional performance in general. They have more trust in the Municipality of Tirana than the respondents with a primary school education who are the most dissatisfied.

### **3.2. Employee perceptions of local government service quality and performance: evidence from Municipality of Tirana**

Almost every surveyed employee of the Municipality of Tirana, declares that citizens/ entrepreneurs are satisfied and very satisfied (90.6%) with the provided services quality in 11 urban administrative units of Urban Tirana and also the manner in which they are provided considering the local government units conditions in terms of institutional organization after the implementation of the territorial administrative reform. Explicitly, more than half of the employees state that citizens/ entrepreneurs are satisfied and very satisfied with the local fees

(63.9%) and taxes (56.4%) of the Municipality of Tirana, with the complaint handling (83.1%) and that most of the citizens/ entrepreneurs trust the institution.

The employee's perception of the institutional performance is that citizens/ entrepreneurs were satisfied and very satisfied (73.8%) before the audit process from ALSAI. Meanwhile the satisfaction level after the performance audit in this institution reached 85.7%. The results of this study show that the employees are prone to give a higher evaluation on the governance performance of the institution they work in, opposed to citizens/ entrepreneurs as beneficiaries of the municipal services. This belief is also amplified further by the employees' perception of the institutional performance, which is steadily increasing over time according to them. This positive trend also shows a significant growth in the awareness of this entity on the importance of performance auditing, considering it as an effective process that adds value to their activities by promoting good performance as well as improving public service quality and social welfare. The collected data show us that a high number of employees, more than half of them (62.2%), believe in the improvement of the institutional performance as a consequence of the performance audit. Even though 69% of the employee respondents think that the local governance performance needs further improvement.

### **3.3. Department director perceptions of local government service quality and performance: evidence from Municipality of Tirana**

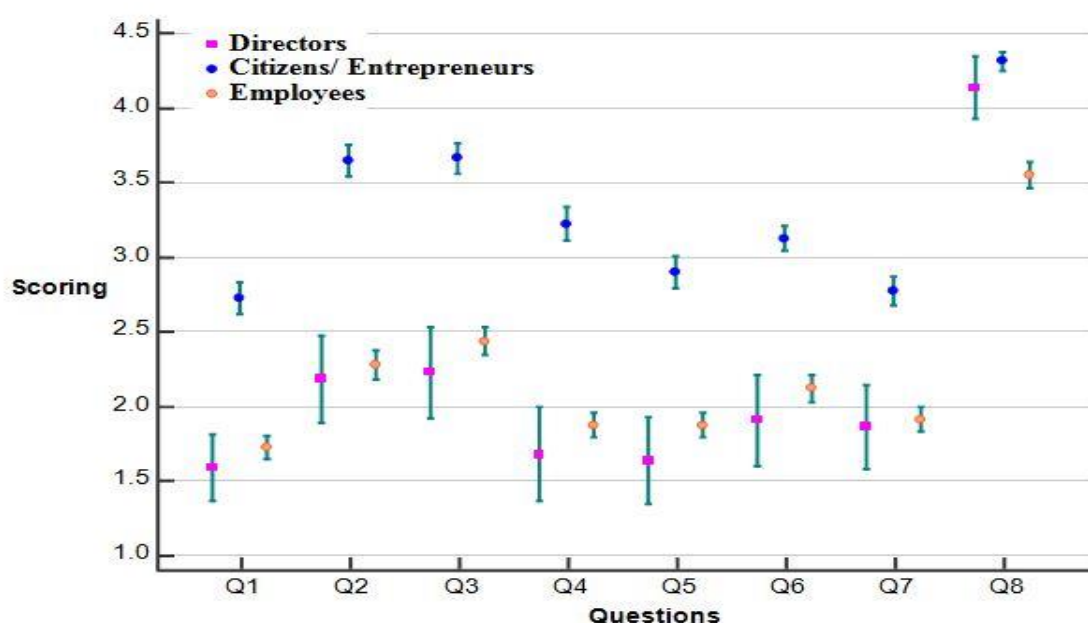
According to the respondents (department directors of the Municipality of Tirana) perception (100%), the local citizens/entrepreneurs are satisfied and very satisfied with the quality of the public services. They even state that the presented changes in the fiscal package of the year 2016 have been considered as affordable from the citizens of Tirana. More specifically: a high percentage of the respondents think that citizens/entrepreneurs are satisfied and very satisfied with local fees (72.7%) and local taxes (77.3%) of the Municipality of Tirana, with the complaint handling (86.4%) and they also believe that the citizens/entrepreneurs trust in their municipality (91%). As a result, the provided services quality and citizens satisfaction level justify the changes made to the fiscal package in 2016, as an instrument to increase the income. Most of the respondents (81.8%) state that the citizens/entrepreneurs are satisfied and very satisfied with the institutional performance before the performance audit, whereas 86.4% of them state that the actual performance of the institution is better than before performance auditing. As a result, we can safely say that even the department directors are prone to give higher evaluation than citizens/entrepreneurs on the institutional performance they work in. Specifically, the respondents agree and strongly agree (90.9%) that the performance management system applied in the departments, achieves set goals on the improvement of the performance. Moreover 86.4% of them agree and strongly agree that all employees are subjected to the same practices of evaluation and improvement of performance. This outlook is strongly amplified even further by their perception that the performance of the Municipality of Tirana has always been in a constant state of improvement (95.4 %) and that this positive trend shows a significant growth on the awareness of the directors of this institution on the importance of performance auditing, as an effective and value-added activity that promotes good performance (95.5%) and improves the public service quality enhancing social welfare (95.5%).

The collected data present that a high percentage of the director respondents (86.4%) have evaluated the role of performance auditing in affecting positively the performance improvement in this institution. However, 63.6% of them still think that the local government performance needs further improvement.

#### 4. CONCLUSIONS

The study concludes that the differences in perception, that are between local citizen/entrepreneur perceptions and municipal administration perceptions of the local government service quality and performance, are peculiar considering the fact that in all dimensions of the survey responses there is a significant difference in response rates between the local citizens/entrepreneurs and Tirana Municipality administration. This clearly shows a different approach between the local community and the local administration. On the other hand, these perceptions reveal undistinguishable differences in personal perception by gender, age and education level.

In general, the capacity of the local government to provide quality services is relatively limited because of the difficulties in infrastructure, service delivery systems, capacity of the human resources and the necessary financial resources. Even though these problems exist, the Municipality of Tirana shows a strong commitment to its vision on the development and offering of the public services.



**Figure1. Comparison of the mean score between survey responses by local citizens and Tirana Municipality workers**

When Figure 1 is examined, it can be stated that the mean score of the survey responses by local citizens and entrepreneurs is higher than that of the survey responses by municipality workers for all the questionnaire asked questions, without including the fact that there is no significant difference in response rates between the directors of the municipality and local community only for the question: Institutional performance needs improvement ( $p=0.1$ ). In addition, there isn't any significant difference in the mean score of the survey responses by employees and directors of the Municipality of Tirana.

To conclude, there is a positive correlation between the local community perceptions and state officials' perceptions (as employees of the audited municipality) towards good performance after performance auditing in local government. Moreover, performance audit represents a useful tool for the continuous improvement of institutional performance and social welfare.



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### Websites

<http://financatvendore.al/>

<http://www.klsh.org.al/>

<https://www.tirana.al/>

## ANNEX 1

## Questionnaire question examples for citizens/ entrepreneurs, employees and directors

Questions	Citizens/ Entrepreneurs	Employees and Directors of Tirana Municipality
<b>Q1</b>	To what extent are you satisfied with the institution's service delivery?	To what extent are citizens /entrepreneurs satisfied with the institution's service delivery?
<b>Q2</b>	How satisfied are you with Tirana Municipality fees?	How satisfied are citizens /entrepreneurs with Tirana Municipality fees?
<b>Q3</b>	How satisfied are you with Tirana Municipality taxes?	How satisfied are citizens /entrepreneurs with Tirana Municipality taxes?
<b>Q4</b>	How satisfied are you with handling complaints?	How satisfied are citizens /entrepreneurs with handling complaints?
<b>Q5</b>	To what extent do you trust the institution?	To what extent do citizens /entrepreneurs trust the institution?
<b>Q6</b>	To what extent are you satisfied with the Institutional performance before the audit process, i.e. before 2016?	To what extent are citizens /entrepreneurs satisfied with the Institutional performance before the audit process, i.e. before 2016?
<b>Q7</b>	To what extent are you satisfied with the actual Institutional performance after the audit process?	To what extent are citizens /entrepreneurs satisfied with the actual Institutional performance after the audit process
<b>Q8</b>	Tirana Municipality performance needs improvement.	Tirana Municipality performance needs improvement.