



The public sector auditor: linking pin in public administration

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Inaugural lecture given in abridged form on the acceptance of the Chair of Professor of Public Auditing & Accounting at Nyenrode Business University

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1 Introduction

Rector Magnificus,
Highly esteemed guests,

*Now the satellite's confused
Cos' on Saturday night
The airwaves were full of compassion and light
And his silicon heart warmed
To the sight of a billion candles burning*

Those words resounded in *The Tide is Turning*, the final song played in 'The Wall' concert in Berlin on 21 July 1990. The concert, based on the similar album by Pink Floyd, commemorated an event that made a very deep impression on me: the fall of the Berlin Wall on 9 November 1989. It was staged on what at the time was wasteland between the Brandenburger Tor and the Potsdammer Platz, part of the former no-man's land around the Wall.

The Tide is Turning... for many years only birds could cross the Wall. When it fell, hundred of millions of people in eastern Europe gained a real prospect of better times, freedom and prosperity, personal growth and peace. For many, it was nothing less than a miracle, a reconciliation of two worlds that had seemed irreconcilable during the many years of the Cold War. It was a historic unification of east and west that has since grown stronger under the umbrella of the European Union.

Ladies and gentlemen, to this very day *Die Wende* still inspires me to be open to meaningful links and to seek them out: links between people, cultures, disciplines, countries, institutions and values.

I am convinced that the search for links will also bear fruit for the chair of Public Auditing & Accounting, for both the development of public auditing and accounting as an academic discipline and their development as a practical activity.

I hope the remainder of this lecture will bring you round to my point of view. I will focus on two areas:

1. I will begin by looking at public sector auditing, the first part of my remit, and identify links with the supply of information within and by public organisations – the second part of my remit;

2. I will then turn to the interplay between two subject areas: public administration on the one hand and accountancy on the other. In the course of my lecture, however, I will also touch upon the importance of interaction with such disciplines as constitutional and administrative law and public finance.

In the next 45 minutes or so, I will briefly consider the following topics:

1. what I mean by public sector auditing, who are the public sector auditors and what do they do?
2. what makes auditing in the public sector so exceptional that Nyenrode has dedicated a chair to it?
3. what do I want to achieve with this chair and how will I do it?

As is customary, both the content and form of this inaugural lecture are business-like in nature. Two elements, however, add a personal touch. Firstly, I am standing before you in the gown that belonged to my father. In the 1970s and 1980s he was a Professor of French at VU University Amsterdam. Dear Dad, even though you are no longer with us, I feel just as close to you. It is an honour to wear your gown. Dear Mum, it is very special to be entrusted with it. Secondly, today is my eldest daughter's twelfth birthday. Dear Maryse, I am proud of you, and I think it's very charming of you to operate the slides.

2 What is public sector auditing?

2.1 The game: public sector auditing

Public sector auditing can be described as the performance of audit work in the public sector.

This immediately raises the question of what 'auditing' is.

The word auditing is derived from the Latin 'audire', meaning 'to listen'. A wise man – the auditor – listened carefully to a spoken description of a situation, applied his wisdom, his professional judgement, and came to an opinion (Kocks, 2003, p. 2).

In the course of time, auditing has developed into a systematic undertaking that is carried out in both the private and the public sectors and both internally and externally. Its essence lies in checking realities against standards. Definitions in the literature include:

'Review of a body's activities and operations to ensure that these are being performed or are functioning in accordance with objectives, budgets, rules and standards. The aim of this review is to identify, at regular intervals, deviations which might require corrective action' (Everard and Wolter, 1989).

'A procedure in which an independent third party systematically examines the evidence of adherence of some practice to a set of norms or standards for that practice and issues a professional opinion' (Mathison, 2005, p. 23).

'The accumulation and evaluation of evidence about information to determine and report on the degree of correspondence between the information and established criteria (Elder et al., 2010, p. 4).¹

In his famous book, *The Audit Society*, Michael Power states that a simple definition of the term is neither easy nor desirable (1997, p. 4); despite the general references to account giving and checking, he sees no precise agreement about what auditing really is as compared with other types of evaluative practice, such as inspection or assessment. Official definitions, he writes, express what auditing could be rather than what it actually is: '... definitions are attempts to fix a practice within a particular set of norms or ideals' (p. 5). He seems to be saying, 'auditing is what auditors do'.

¹ In keeping with this definition, these authors include the examination of a tax return by an agent of the tax authorities in accordance with applicable legislation and regulations to be auditing, 'audit of a tax return', and also include oral reports as a form of accounting (p. 5).

Nevertheless, he recognises four basic elements of auditing:

- independence from the matter being audited;
- technical work in the form of evidence gathering and the examination of documents;
- the expression of an opinion based on that evidence; and
- a clearly delimited audit subject matter.

To these, Lindeberg (2007) adds the element of appropriate criteria.

Power refers to the well-known economic approach to audit as a form of monitoring, which arises from a complex relationship of agent-principal accountability. Principals operate at some distance from the agents' activities and are not able to check them personally. The audit is a check requested when agents expose principals to moral hazard – because they may act against the principals' interests – and to information asymmetry – because they know more than the principals. In this approach, audit is an exercise in risk reduction that inhibits the deviant actions of agents. The principal will use audit as long as the marginal benefit exceeds the marginal cost.

Power also refers, however, to the importance of the institutional context: different communities will institutionalise different forms of accountability and there may be different categories of 'principals' and 'agents' (pp. 4-5).

Cutt (1987) characterises auditing as 'a process superimposed on an accountability relationship to provide assurance that information is appropriately disclosed and fairly presented'. More generally, he describes audit as, 'a systematic investigative process of objectively obtaining and evaluating evidence about economic actions and events defined in a specific accountability relationship to ascertain, using established criteria, the extent to which the delegated authority in that relationship has been exercised according to those accountability terms of reference, and communicating the results to intended users'. The auditor acts as an independent third party engaged by the principal to assess the information provided by the agent. External audit is thus concerned with the exchange of information between the directors of an organisation and its shareholders or parliament. Internal audit is concerned with the flow of information between different management tiers (Cutt, 1987, pp. 12, 13).

The best known and most institutionalised form of external auditing is the audit of historical financial statements, leading to an auditor's report.² Interestingly, the professional watchdog,

² Internal/operational audit and IT audit are also highly institutionalised forms of audit. They are represented in the Netherlands by the Institute of Internal Auditors (IIA) and the Professional Association of IT Auditors (NOREA) respectively.

the International Federation of Accountants (IFAC) does not include 'auditing' in the list of definitions issued for its international standards (IFAC, 2010a, p. 11 ff). It does define the wider term of 'assurance engagements',³ however, which include 'audits of financial statements'. IFAC states that the objective of such audits is to strengthen – by means of an opinion – the reliance that intended users can place on financial statements prepared by an entity's senior management.⁴

The Institute of Internal Auditors (IIA) defines 'internal auditing' as 'an independent objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes' (www.theiia.org).

The assurance side of internal auditing is concerned with the objective assessment of evidence to arrive at an independent opinion on an organisation, operation, function, process, system or other matter. The internal auditor determines the nature and scope of the assurance engagement. Three parties are involved: the party directly concerned with the matter, i.e. the process owner, the auditor and the user of the opinion. Consulting activities are advisory in nature and are usually conducted in a two-party relationship. The auditor advises at the request of a 'client', whereby the auditor remains objective and may not assume any management responsibilities (www.theiia.org, Standards, Introduction).

The common ground in these approaches is that an auditor forms an opinion on a matter within a given institutional and accountability context in an independent, expert and systematic manner on the basis of accepted criteria and sound evidence. The auditor acts as a linking pin between a principal and an agent; through his assessment work, he connects the two parties and contributes to trust within their relationship.

A closer look at auditing reveals that this function need not necessarily be strictly limited to the relationship between an agent and a principal. At times, it can or even must link an agent and several stakeholders. An auditor's report on an entity's financial statements, for example, is of importance not only to the shareholders but also to lenders, employees and other third parties. In this light, IFAC sees the acceptance of responsibility to act in the public interest as a distinguishing mark of the accountancy profession (IFAC, 2010c, p. 9) and sees it as its

³ An 'assurance engagement' is defined as 'an engagement in which a practitioner expresses a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of the evaluation or measurement of a subject matter against criteria' (IFAC, 2010a, p. 13; 2010b, p. 6).

⁴ See International Standard 200, as implemented in NBA Audit Standard 200: Overall Objectives of the Independent Auditor and the Conduct of Audit in Accordance with International Standards on Auditing.

mission to act in the public interest, in part by strengthening that profession (IFAC, 2010a, p. 3).

The audit function therefore has the potential to bring society together and thus increase public confidence. Anchoring certain audit tasks in law highlights which aspects of the audit function are – apparently – thought to be essential to society at a particular point in time.

What can be said in general about auditing in the public sector?

To my mind, the public sector⁵ comprises international public organisations, countries, individual public organisations within of a country's many administrative tiers and national and international networks of public organisations – either within an administrative tier or cutting across administrative tiers. I also consider alliances between public organisations and private parties to be part of the public sector in so far as they are established and operate through government policy (top down) (van Montfort, 2008, pp. 9; 35 ff). It is customary in the Netherlands to make a distinction within the public sector between central government (ministries and the agencies reporting to them), provinces, municipalities and water boards, and autonomous administrative authorities.

IFAC issues standards chiefly for audits and other assurance engagements that private audit firms carry out in respect of an entity's financial information, but the public sector is exposed to other important audit institutions, other significant audit forms and another international professional organisation. The many Supreme Audit Institutions worldwide act as the external auditors of public organisations and international organisations. They work in accordance with statutory mandates and within the framework of democratic accountability.⁶ The audits they carry out are usually classified into three main groups (INTOSAI, 2010a):

1. financial audits, performed to express an opinion on the reliability of financial statements;
2. compliance audits, performed to provide assurance on compliance with laws and regulation, policies, established codes and agreed upon terms and conditions;
3. performance audits, performed to examine the economy, efficiency and effectiveness with which the audited entity carries out its activities.

The term 'regularity audit' is often used in reference to a 'financial audit' supplemented with elements of audits of compliance with financial rules and principles of sound financial management. Performance audits are also known as 'value for money audits'.

⁵ See Dees (2009) and van Montfort (2008) for more detailed considerations of the fundamental and problematic distinction between public and private.

⁶ See, for example, IFAC (2001, pp. 5-10) and Raaum and Morgan (2009, p. 4) for a general overview of such accountability relationships.

Public sector auditors usually base their financial auditing criteria on standards issued by recognised standard setters in the fields of external reporting and internal control. The criteria for performance audits are usually not standardised but have to be 'made to measure' using such sources as the historical performance of comparable organisations (benchmarking) and the outcome of consultation between the public organisation in question and the users of the audit report (Lindeberg, 2007, pp. 340-341).

The International Organization of Supreme Audit Institutions (INTOSAI) has issued standards for all three main audit groups in recent years. The Johannesburg Accords of November 2010⁷ are a solemn endorsement of these standards and were publicly welcomed by IFAC.⁸ For the financial audit standards, INTOSAI worked on the basis of a Memorandum of Understanding in close consultation with IFAC's International Auditing and Assurance Standards Board (IAASB). It adopted the latter's International Standards on Auditing (ISAs) without change. By means of Practice Notes for each ISA, however, it has published additional explanations and guidance for financial audits in the public sector. By itself, it has published standards for compliance audits and performance audits. In the first instance, the International Standards of Supreme Audit Institutions (ISSAIs) offer Supreme Audit Institutions a framework to carry out high quality and consistent audits but they can also strengthen the quality of audit engagements performed by private firms in the public sector.⁹

As public organisations carry out vital public activities, using considerable amounts of taxpayers' money, and can take far-reaching, binding decisions, well-developed external and internal audit functions are at least as essential in the public sector as they are in the private sector. The social orientation of the audit function that has gradually evolved in the private sector – and is still evolving – has become ingrained, as it were, in the public sector. In its Lima Declaration of 1977 – also known as the Magna Carta of government auditing – INTOSAI places the objective of public sector auditing in the context of the stability and development of states in keeping with the goals of the United Nations (INTOSAI, 1977). It believes the main purpose of public sector auditing is to uphold and promote public accountability between public entities and democratically elected bodies (INTOSAI, 2001, par. 21, 22 and 36).¹⁰

⁷ http://www.intosaijournal.org/pdf/johannesburgaccords_27nov2010eng.pdf

⁸ <http://press.ifac.org/news/2010/12/iaasb-welcomes-incosai-s-declaration-on-international-standards-of-supreme-audit-institutions>

⁹ To this end, Koos Vos of the Netherlands Institute of Chartered Accountants (NBA) and I recently took the initiative within the Public Sector Committee of the Fédération des Experts Comptables Européens (FEE) to prepare a practical document setting out and analysing the public sector principles, conditions and notes included in the individual ISSAIs. We expect to complete the document by the summer.

¹⁰ 'Whatever the arrangements, the essential function of the SAI is to uphold and promote public accountability' (ISSAI 100, par. 36).

In his construction of a philosophy of government auditing, Dittenhofer (1996, pp. 103, 104) names 'truth' as the main element of auditing and the sine qua non of the audit process. He goes on to identify four values that steer the audit process in the public sector:

1. social values, how does the audit process improve the welfare of the community influenced by the audit?
2. ethical values, how does the audit process influence the ethical structures in such a community?
3. economic value, how does the audit process add to economic prosperity?
4. political value, what are the consequences for the audit's political activities?

At heart, public sector auditing is the truth-seeking link between public entities and the democratically elected bodies to which they are accountable, or – in the case of internal audit – the departments and the senior management tiers to which they are accountable. Auditing thus improves the operation of a democratic state and its public organisations. It is high time to get to know the actors who play this wonderful role: who are the public sector auditors?

2.2 The players: public sector auditors

I would define public sector auditors as everyone who carries out audit work in the public sector. According to this broad definition, the group of public sector auditors includes (Dees, 2010a):

- both those who carry out traditional audit work (attestation of financial statements, review engagements, grant audits, etc.) and those who carry out audits in a wider sense (for example operational audits, evaluations that are predominantly assessments in nature, compliance audits, IT audits and environmental audits);
- both auditors employed by a public organisation and auditors operating from an external position (such as auditors working for Supreme Audit Institutions, local audit offices or private audit firms);
- both auditors who examine management and information issues within public organisations (e.g. internal auditors carrying out compliance audits within an organisation) and auditors who, on account of the task of the public organisation for which they work, audit the operational management and information of third parties (e.g. auditors at the Tax and Customs Administration who examine entities' internal controls and tax returns);
- both those who contribute technical expertise and methodological baggage gained from specific audit training (such as *registeraccountants (CPA's)*, IT auditors, operational auditors and forensic auditors) and those who do so from other disciplines (such as public administration, law or psychology);

- auditors working at all administrative levels in the public sector, including international organisations, central government (ministries and agencies), provinces and municipalities, water boards and autonomous administrative authorities.

The group of public sector auditors therefore boasts a rich variety of disciplines, backgrounds, functional positions and types of audit work. It forms a considerably wider group than the 'government auditors' that the Netherlands Institute of Registeraccountants (NIVRA) defines as registeraccountants (CPA's) who work for or are associated with a government audit department or similar service.¹¹ Public auditing therefore has its own place in several professional organisations and constellations within the audit profession.

Some professional organisations have been formed solely for public sector auditing. INTOSAI, for example, presents itself on its website (www.intcosai.org) as 'the umbrella organization for the external government audit community.' Under the motto *Experientia Mutua Omnibus Prodest* ('mutual experience benefits all'), it develops professional standards (see www.issai.org) and promotes the exchange of knowledge and support for emerging audit offices. Other public sector audit organisations include EUROSAI (the European Organization of Supreme Audit Institutions) and, in the Netherlands, the Association of Audit Offices (NVRRO). In the United Kingdom, CIPFA (the Chartered Institute of Public Finance and Accountancy) is a specialised representative of public sector auditing.

Other professional organisations recognise to one degree or another that public sector auditing holds a special place in the audit field they cover. The International Federation of Accountants (IFAC) unfortunately no longer has a Public Sector Committee. It states that its international standards are relevant to engagements in the public sector and, where appropriate, provides additional guidance specifically for the public sector (IFAC, 2010a, p. 9). In *Professional Accountants in Business*, IFAC names the public sector as one of the sectors in which this group can be active in a variety of roles other than as external auditors ('professional accountant in public practice') (IFAC, 2005, p. 2).

The Fédération des Experts Comptables Européens (FEE) has a Public Sector Committee that studies public auditing and accounting and adopts professional policy positions. The public sector has long held a special position in NIVRA's governance and professional codes. It is currently represented, for example, on NIVRA's Board of Management and Advisory Board and by such bodies as the Government Accountants Group (OVAC) and the Public Sector Committee (CPS), and government auditors are recognised separately in the Code of Conduct Regulation and elsewhere. The IIA has an examination programme tailored to

¹¹ Code of Conduct Regulation (2010), definitions, r.

internal auditors in the public sector (the Certified Government Auditing Professional Examination, CGAP).

At present there is still no professional organisation that systematically promotes the common professional and institutional interests of the various groups of external and internal public sector auditors.¹² An important professional reason for such a bundling of forces lies in the 'specifics' of the public sector, which should form a common departure point for all public sector auditors. I consider them below.

2.3 The playing field: good public governance

Public sector auditing is instrumental to good public governance. This is the playing field on which public sector auditors must deliver their 'value for money'.

Public administration requires politicians and civil servants from a variety of disciplines to use scarce public funds to develop and implement policy with other public organisations and private parties in order to produce outcomes or carry out designated tasks in the public interest. To this end, public organisations take binding decisions and exercise administrative power within the frameworks of the democratic rule of law. They must simultaneously satisfy a series of criteria of good public governance, namely:¹³

I) Performance criteria

- a) Effectiveness: does policy implementation produce the desired outputs?
- b) Economy and efficiency: are goods and services procured economically? Are the best possible results achieved with the least possible resources? In other words, is there maximum value for money?

II) Due care criteria

- c) Responsiveness: are policy formulation and implementation based on public needs?
- d) Democratic content: can citizens participate in and influence policy formulation and its implementation and are they adequately informed to do so?
- e) Regularity: are international treaties and statutory rules observed? Do financial transactions, moreover, comply with the provisions in contracts and decisions that are conditional for their occurrence?
- f) Propriety: are authoritative unwritten standards of good administration observed?
- g) Integrity: are the activities ethical and responsible?

¹² There are alliances, however, such as those between INTOSAI and IFAC (financial auditing standards) and between INTOSAI and IIA (internal control standards).

¹³ There are many interpretations of the term 'good public governance'. See, for example, Addink, 2010.

III) Financial criteria

- h) Financial solidity and fiscal sustainability: are policy formulation and implementation financially well-founded and compliant with agreed budgetary frameworks? Are all financial requirements and consequences in both the short and the long term taken into account? Have the interests of future generations been considered?

IV) Organisational criteria

- i) Quality of internal governance: is there good internal governance (including risk management and control, the control function, internal audit and oversight) and do the staff have adequate expertise?
- j) Quality of cooperation with other organisations: are powers and responsibilities clearly allocated to organisations and are they exercised correctly?
- k) Innovative power: are new approaches and working practices developed and applied during policy formulation and implementation?
- l) Learning ability: does the organisation learn from its own experiences and those of relevant other organisations?
- m) Sustainability: are the interests of people and the planet taken into account?

V) Accountability and transparency criteria

- n) Transparency: is relevant information freely available and do stakeholders have direct access to it? Are decisions taken, implemented and enforced in accordance with agreed procedures? Is the information in the budgets, annual reports and other sources relevant (as well as being timely and up to date), reliable, comparable and understandable?
- o) Quality of public accountability: are both the substantive and procedural aspects of the various modalities of vertical and horizontal public accountability adequate? Do the contents of public accountability and the external reports based in part on them reflect the full breadth of the public organisation's powers and responsibilities and all quality requirements of good public governance?¹⁴
- p) Quality of external audit: are essential public accountability information and other essential matters subject to adequate audit by qualified, independent auditors?
- q) Accountable decisions: where a dilemma arises between the various aspects of good administration, are reasoned decisions taken that can be justified by reference to the public interest?¹⁵

Good public governance is not a static but a dynamic concept. It can never be completed but is in a continuous state of maintenance and improvement. Good public governance can be

¹⁴ See Dees (2009).

¹⁵ Bemelmans-Videc, 1993, pp. 29-30.

defined as an intangible form of territorial development that is ultimately concerned with public happiness.

Public sector auditing is one of the many forces that can steadily improve the quality of public governance. All organisations of public sector auditors – audit offices, audit firms, audit departments – and all public sector auditors within them have their own positions, tasks and responsibilities but the perspective, the direction of influence, is the same: contributing to good public governance.

Maintaining and promoting public accountability is and always will be a key notion. Public accountability is a democratic anchor to check the public exercise of power (democratic perspective), to safeguard the balance of power (rule of law perspective) and to strengthen the learning ability (cybernetic perspective) (Bovens, 2005, p. 48). Serving these perspectives strengthens the legitimacy of public administration and therefore deserves to be approached robustly and with passion.

Beginning from this fundamental principle, there is every opportunity for the public sector auditor to spread his wings and serve throughout the entire field of good public governance as a linking pin between public organisations on the one hand and democratically elected bodies and individual or groups of citizens and organisations on the other. Auditing is meaningful wherever the benefits of gaining audit information are thought to be greater than the costs. Scarce audit capacity should ideally be allocated to areas in which this margin is the greatest.

From this angle, there is still a great deal to be gained from auditing published information on activities, outputs and outcomes. The Rotterdam audit office (2010), Randstad audit office (2011), Ernst & Young¹⁶ and others have already expressed opinions on the soundness of such information but, over the public sector as a whole, there has as yet been no thorough assessment of this priority area within the public sector.

With regard to the 'financial solidity and fiscal sustainability' criterion, public sector auditors should develop forms of assurance on the EMU balance and EMU debt figures that Statistics Netherlands (CBS) and the Ministry of Finance report to Europe. This nationally and internationally vital information has a high risk of material error and a substantial tendency to misstatement, as is clearly evident in some countries. With the international emergence of long-term projections of revenues and expenditures, public sector auditors can provide assurances on the accounting policies and calculation methods applied.

¹⁶ Opinion on the financial statements and opinion on the report in the annual report of the Port of Rotterdam Authority 2010.

Regarding the other criteria of good public governance, too, public sector auditors can add a great deal of value, for example in the fields of propriety and integrity. They may review compliance with the National Ombudsman's Propriety Guide or establish a public organisation's ethical position by application of the Ethics Thermometer (Kaptein, 1988).

The 'transparency' criterion seems to be self-evident but in the political and administrative arena it is anything but. Enthoven (2011) analysed 25 years of parliamentary inquiries and found a recurring pattern of poor information supply from the government to the House of Representatives. The shortcomings ranged from incorrect information, incomplete information, obscure information, misleading information and selective information to excessive information. Sometimes, the shortcomings are incorrectly put down to the confidential nature of the information. The House is usually not informed of the policy options and the various lines of reasoning. Shortcomings are also regularly found in the information that civil servants provide to ministers. It is not unknown for critical and politically sensitive information to be withheld from the minister. The mechanisms can also be seen in the daily flow of information between the government and parliament: 365 inadequate 'accountability days' a year. To my mind, this is anything but good public governance and both external and internal public sector auditors are facing a host of challenges.

3 Why this chair?

'Business and public administration are alike only in all unimportant respects,' so goes the frequently quoted saying of the American political scientist Wallace Sayre (Allison, 1983). Or to put it differently, public management differs from private management in all important respects. Whereas enterprises – in all their typological forms – pursue profits for their shareholders, public organisations seek good public governance in the public interest. The substantive and institutional characteristics of the public sector, and its enormous social and financial importance, call for a specific audit approach tailored to the sector's needs.

The current audit training courses in the Netherlands, such as those for *registeraccountants* (RA), operational auditors (RO) and IT auditors (RE), however, rarely touch upon the public sector. That is why there are many external and internal auditors in the public sector who do not have the right academic baggage.

The public sector also has many auditors who were not trained in one of the established audit disciplines but began their audit careers in the public sector with a master's degree in public administration, sociology, philosophy or history, some with experience as policy officers. The need for input from these disciplines has grown strongly in recent years owing to the wider range of subjects being audited. But these auditors, who provide a touch of colour to the auditors' guild in the public sector, are rarely trained in the postulates, concepts and techniques of external and internal auditing.

Public administration and the audit function within it are too important to be founded on such professional omissions and the Center for Public Auditing & Accounting is going to do something about it by providing a raft of courses.

Internal and external auditors working in the public sector must master the specifics of the public sector and appreciate them for what they are. If they are appropriately focused, educated, equipped and positioned, they can, preferably by working together, make a meaningful contribution to good public governance. They can add value by delivering high quality assurance and other audit products wherever important financial and non-financial information is exchanged in the public sector. They can also play a proactive role at the centre of the policy and operational management processes. A public sector auditor can, for example, give an opinion on the practicability and auditability of legislation and regulation or shine a critical light on contracts, forms of public private partnership and complex financial arrangements.

Public sector auditors contribute to good public governance and are part of it. They themselves and their work must therefore satisfy the criteria I mentioned. Practice what you preach! The recent INTOSAI standard on transparency and accountability by Supreme Audit Institutions happily displays this awareness (INTOSAI, 2010b). It will be the guiding principle for all the contributions made by this chair.

This brings us to the question of what I want to achieve with this chair and how I think I will approach it.

4 Where to and how?

The chair in Public Auditing & Accounting is positioned within the Center of the same name. With the Center's manager, Jan Droogsma, coordinator, Carla Luit, and many other colleagues, I will give shape and meaning to four key areas:

1. courses in public sector auditing;
2. academic research in the field of auditing, risk management and public sector accounting;
3. events, including permanent education;
4. knowledge-based activities.

With regard to education, the Center will offer an auditing course tailored to the public sector. It will be a new course alongside the established RA, RO and RE audit courses. This course for Certified Public Sector Auditors (CPSA) will be open to all master's graduates and will offer a solid foundation to carry out countless assurance engagements in the public sector. Those who have already been educated to RA, RO and RE level can be awarded the CPSA title after a one-year course and thus strengthen their position in the public sector. The CPSA modules can also be taken separately.

Educational initiatives will also be taken by interlinking with other courses both inside and outside Nyenrode. The target group is very extensive: all academic, post-academic and higher professional courses in the fields of accountancy, IT auditing, operational auditing, controlling and – last but not least – public administration and administrative law can benefit from learning the art of public sector auditing. Within Nyenrode, it has already been decided to offer an optional course in public sector auditing within the accountancy faculty. And outside Nyenrode, we recently had the privilege of organising guest lectures at the universities of Leiden and Nijmegen on public sector auditing and reporting for students of such disciplines as public administration and history. The Center can also contribute in a variety of ways to internal courses at audit firms, audit offices and audit departments and to foreign courses. The sky is the limit! At the moment we are still in the pioneering stage and it is exceedingly important that many current or potential public sector audit practitioners are aware of the courses offered by the Center.

Academic research will be carried out both on our own initiative and 'on demand', based on the principle that public administration – and within it public accountability – forms both the context and the object of public auditing and accounting. Like the education, the research will be multidisciplinary in nature. Business economics and accountancy will be linked to public administration, constitutional and administrative law and public finances. I am looking forward

to working with fellow professors in neighbouring chairs who also favour multidisciplinary approaches, such as Henk Addink, Cor van Montfort and Philip Wallage.

The research will start from the fundamental specifics of the public sector but links will be sought with usable concepts in the private sector. As well as quantitative research, qualitative research will be carried out, in the knowledge that public sector auditing and accounting develop in close step with social, economic and administrative change. The research may be exploratory, formulatory, descriptive, explanatory or evaluative in nature. An international comparative approach will usually be taken, probably within the Comparative International Government Accounting Research (CIGAR) network.

The various forms of research will treat the practice of public sector auditing and accounting not only as a source of inspiration and subject matter but also as an interested party: the research will investigate the practice and the findings will be applied for its further development. The Center can thus become a driving force for continuous innovation in the interpretations, methods and products in the world of public audit and accounting.

On the interface between education and research, it is our intention to prepare an international handbook on public sector auditing in collaboration with a number of foreign professors in the discipline. I have learnt from various channels that there is an enormous need for such a handbook for both theoretical and practical purposes.

In the field of permanent education, we will concentrate on topical issues such as quality and the use of non-financial policy information, new audit standards and the significance of social networks in the public sector. A look back at Accountability Day – the last one was on 18 May 2011 – and an end-of-year meeting will be fixed items on the events agenda. All the events will seek to link practical developments with theoretical insights such as those revealed in the professional literature.

Knowledge-based advice will be given to the various organisations that carry out public sector audits and to national and international organisations that develop standards for public sector auditing and accounting.

By exploring these avenues, the Center for Public Auditing & Accounting will evolve into an authoritative platform – a link in its own right – to generate and communicate practical and serviceable academic know-how on public auditing and accounting.

The Center will seek the professional institutionalisation of public sector auditing. In conjunction with developments elsewhere in Europe – particularly in the United Kingdom (CIPFA), Austria, Denmark and Belgium and within EUROSAI – we will seek a European

certificate for public auditing and a European professional association of public sector auditors.¹⁷

¹⁷ In Austria a postgraduate professional MBA in public auditing has been introduced in cooperation with the Austrian SAI and the Executive Academy of the Vienna University of Economics and Business Administration. In Denmark, there is a post-master's Certified Public Sector Auditor course consisting of a theoretical and a practical part. The theoretical part is given at several universities. An important common element of these initiatives is that the education is linked to a specific academic title.

5 Closing remarks

Ladies and gentlemen, in the light of the above I hope you will agree that public sector auditing serves a definite purpose and has its own professional and institutional focus. Its specific nature means dedicated academic and research activities are not a luxury but a necessity. The public sector auditor is a linking pin in public administration, and the Center for Public Auditing & Accounting is a linking pin between a variety of disciplines, between theory and practice, between countries and between the various administrative tiers within them.

A chair in the exciting and challenging field of public sector auditing is a wonderful opportunity to continue my quest for meaningful links. A quest in which my 2009 doctoral dissertation on the external accountability of public organisations was but a staging post. The dissertation did not include a list of statements, that was not required at Nijmegen Radboud University, and I have since learnt that some people regretted their absence. To link the lecture to the acknowledgements, I would therefore like to share a number of statements on public auditing and accounting with you. You can take them as the forerunners of future comments I will make in the public debate – another way in which professors can make their voices heard.

They are:

- the IPSAS Board's conceptual framework for general external financial reporting should recognise democratically elected bodies as a priority group to which account must be rendered;
- every auditor in the public sector should understand its ins and outs and they should be incorporated into auditing courses – not only in a future optional course on public auditing but also in statutory auditing courses; audits of many entities in the public sector – including provinces and municipalities – also fall within the regime of statutory audits;
- public sector organisations – especially large ones – should be designated by law as public interest entities and accordingly comply with the strictest demands of governance, accountability and audit;
- central government should introduce an accrual accounting system, otherwise ministers will not tell the House and the public the full financial accountability story;
- the government should set an example and be at the vanguard of sustainable policy, sustainable operational management and sustainable accountability;
- the Ministries of the Interior and Finance should demonstrate convincing leadership skills when setting frameworks and supervising operational and financial management and audit at the ministries. In this respect, they should transform the current colourful collection of further rules, baselines, codes, standards frameworks and guidelines into a simple, coherent, streamlined and accessible whole and actively encourage and

monitor its use, especially in these times of economic restraint. Blanks should be filled in and redundant rules should be scrapped. To play in the Champions League, the ambition level for these rules must be set at 'internationally recognized practice';

- the internal audit function in central government must grow strongly in the years ahead towards broad-based operational management and policy audits in order to help the ministries stay 'in control';
- the Court of Audit should express an annual opinion on the various elements of ministerial governance – including the control and audit functions and the composition and role of the Audit Committee – and on the implementation of the framework-setting and oversight roles of the Ministries of the Interior and Finance.

No doubt you will have many questions after hearing this lecture, questions that I would be happy to try to answer. Should an answer remain wanting, though, to quote Dries van Agt: 'If I don't refuse to answer a question and I still don't answer it, there can be no other explanation than that I don't know the answer.'¹⁸

¹⁸ Debate of the Menten case, 17 November 1976.

6 A word of thanks

To close my lecture, I would like to thank a number of people.

Dear members of the Executive Board of Nyenrode Business University and members of the Appointment Committee, I am exceedingly grateful to all of you for the recommendation and approval that led to the establishment of the chair and my appointment as professor. You can rest assured that I will carry out my duties with enthusiasm and dedication.

I owe a special word of thanks to Leen Paape (Dean of the Nyenrode School of Accountancy & Controlling) and Dion Kottevan (director of the Central Government Audit Authority), who took the initiative in 2009 to establish this chair and approached me to apply for the professorship. Leen and Dion, I shall do everything in my power to make your initiative a success.

I could not succeed without the dedication of Jan Droogsma, the manager and driving force behind the Center. Dear Jan, with your loyalty, inspiration and boundless energy, you are a delight to work with. I could not have wished for a better business partner. With our shared passion, let's go all the way.

Aad Bac, I would like to thank you for the foundations you gave me with your groundbreaking work on government accountancy in both the Netherlands and internationally.

I would like to thank the Board and Secretary General of the Netherlands Court of Audit and my director and deputy director there for enabling me to combine this chair with my day job and for the assistance they provided. I still feel at home in the fantastic institution that is the Netherlands Court of Audit and with the enthusiastic, loyal colleagues who work there. I will continue to work in both my positions on the professionalisation and innovation of the public sector audit profession.

Dear colleagues at Nyenrode, I am looking forward to working with you and have high expectations of the cross-pollination between the private and public perspectives in this beautiful setting, guided by the motto 'for and by business'.

Last but not least: my family, family-in-law and friends, I would like to thank you for your love and friendship.

Thank you.

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