Abstract: New public management is now commonly used as a general descriptor of an influential reform agenda. Managing by results and increased transparency, rather than policy options are frequently used by politicians and public servants as a way to promote efficiency and ideals of reformability to transform public sector organizations, as articulated by Hood (1990, 1995). This essay is therefore concerned with the explosion of audits in public sector organizations in order to better understand how change was introduced within the public sector, to question its possible unintended effects and to highlight the risks of an illusion of control.

Public sector auditing can be understood as an array of techniques by which public sector organizations are directed, controlled, and held accountable in ways inspired from private sector corporations. Financial scandals of the last decade have placed boardrooms at the forefront of the battle against fraudulent financial reporting and added responsibilities on the shoulders of the corporate governance actors of publicly traded companies. In the wake of these events, it has been speculated that the control systems in public organizations are similarly flawed and that SOX-type reforms, may therefore be necessary in government and non-profit organizations in order to prevent comparable financial disasters (Brown, 2005; Jackson and Fogarty, 2005; Roberts and Candreva, 2006).

These “new public management initiatives” are powerful (Free and Radcliffe, 2009): governance is now often understood in financial terms and underpinned by a commitment to permeate the public sector with “best practices” from the private sector (Gendron, Cooper et Townley, 2007). As a result, boards of directors in government corporations and their auditors increasingly emulate private-sector practices and are given specific responsibilities in terms of risk management and internal control – the overarching objective being increased efficiency and accountability. However, the importation of such practices and techniques has generated spirited discussions over their necessity and their added value in the infrastructure of public-sector (Clatworthy et al., 2000; Vermeer et al., 2006).

1 SOX (Sarbanes Oxley act) is a United States federal law enacted in 2002, setting new standards for all U.S. public company boards, management and public accounting firms.
New public management (NPM) is now commonly used as a general descriptor of an influential reform agenda (Humphrey et al., 2005). Managing by results and increased transparency, rather than policy options are frequently mobilized by politicians and public servants as a way to promote efficiency and ideals of reformability to transform public sector organizations, as articulated by Hood (1990, 1995). This essay is therefore concerned with the explosion of audits in public sector organizations in order to better understand how change was introduced, to question its possible unintended effects and to highlight the risks of an illusion of control.

THEORIZING THE PUBLIC SECTOR AUDIT EXPLOSION

Miller and Rose (2008) argue that in order to govern, governments need both programmes and technologies. Programmes, on one hand, are ideals that represent the domain to be governed and render it amenable to administration. Often depicted in government reports, white, green and business papers, by trade unions, financiers, political parties, charities and academics, they propose various schemes for dealing with what they define as the problematic. Technologies on the other hand are the various devices and instruments which make it possible to operationalize programmes and act upon others. Boundaries between programmes and technologies are not clear cut, though. Scholars have shown that the ideas and concepts which shape technologies and practices are crucially attached to broader programmes (Miller and Rose 2008; Preston et al., 1992; Ogden, 1997; Power, 1997). Auditing, for instance, can be viewed as programmatic, or as a technology subservient to certain programmes.

Of particular relevance for our argument is the belief that a key feature of modern society is the abstraction of ideas from their context, which are made portable to a variety of situations (Giddens, 1990, 1991). Ideas, models and norms transgress the barriers of local time and space, from their emergence in a local context to their transformation in abstracted forms which become globalized and ready to be re-embedded in local settings (Czarniawska and Sevón, 2005). The adoption of ideas or in this particular case the development auditing practices within the public sector depends on theorization, that is to say the transformation of ideas into generalized abstract concepts and the elaboration of a cause-and-effect chain which presents the (generalized) idea as a solution to some problems in the field (Greenwood et al., 2002). Thus, theorization is conceived as a very important stage in the spread of ideas in contemporary societies, including their formalization in legislation. First, because it requires the specification of the failing for which the proposed regulation will act as a solution or treatment. Second, because it leads to the justification of the proposed treatment (Tolbert and Zucker, 1996). And finally, as highlighted by Strang and Meyer (1993), theorization can result in a sense of legitimacy as it may translate ideas into comprehensive and convincing formats taking into account the values embedded in the setting in which they are presented. If framed in a convincing manner, theorization has the potential to arouse sufficient interest and support towards some proposed change in a regulatory field.

The programmatic claims about the role of auditing within the Canadian public sector served to establish the inevitability of innovation as a means to increase economic performance. Like many governments around the world who pledged to “modernize” their public sector by using private sector accounting approaches (Broadbent and Guthrie, 2008), performance audits (English and Skærbæk, 2007), and risk management tools (Lapsley, 2009) the agenda of modernization draws on the NPM doctrine which applies private sector-derived accounting and management technologies to the public sector in the pursuit of increased efficiency (Hood and Peters, 2004) and as a mechanism of change through structural reforms (Lapsley, 2008).

Therefore, managing by results rather than activities, associated to the modernization of the state, has increased the demand for audits in the public sector. Being subjected to an audit has become an indispensable means by which someone who is made accountable for the quality of his operations achieves legitimacy. To the contrary, refusal to submit to an audit or a lack of cooperation are perceived as an attempt to hide a secret
or worse fraudulent activities (Power, 1994). Consequently, for each new crisis, the demand for audits intensifies and expands to new domains.

Tied to the concept of modernization “audit” has become a slogan of those who wish to improve control, through accountability and transparency, of the actions of management, without fundamentally altering the basic structure of firms (Roe, 1994). On an international level and in an array of languages, the OECD offered non-binding standards and good practices in corporate governance for the first time in 1999 and reviewed them in 2004 to take into account worldwide developments following various financial scandals. In these documents, the initial theorization presents effective corporate governance system and auditing technologies as solutions to increase confidence in capital markets and reduce the firms’ cost of capital. The concept of corporate governance as a programmatic ideal sustained through an array of auditing technologies is not a recent innovation. Nonetheless, since the mid-1990s it seems to have solidified through the flow of corporate financial scandals (Power, 2004, Gendron and Bédard 2006). The idea that directors are capable of strengthening public trust in times of turmoil and consolidating the external auditor’s ability to find and report misstatements, is reinforced by mandatory transformations in the role and composition of boards and their internal committees. Additional scandals are claimed to be avoidable and trust restored by ensuring directors are more independent, more competent and play a larger role in supervising and controlling management and auditors through “new” devices such as risk management technologies and internal audits.

“Experts” around the world encouraged the proliferation of these structures as well as a greater expansion of their role (OECD, 2004), not least in the public sector. The OECD produced in 2005 Guidelines on Corporate Governance of State-Owned Enterprises (OECD, 2005) – the objective being to “help” governments in their challenge to assess and improve the way they exercise ownership of these enterprises:

SOEs face some distinct governance challenges. One is that SOEs may suffer just as much from undue hands-on and politically motivated ownership interference as from totally passive or distant ownership by the state. There may also be a dilution of accountability. SOEs are often protected from two major threats that are essential for policing management in private sector corporations, i.e., takeover and bankruptcy. (OECD 2005, p.10)

Inspired by public sector practices, the guiding principles promoted by the OECD advocated internal audit functions supervised by independent audit committees, independent external audits, disclosure of risk factors and measures to manage these risks. These ideals resonated with various inscriptions such as press reports of scandals (e.g., Enron, Parmalat), white papers of best practices (e.g., Saucier report (CICA, 2001)) and “innovative” regulatory standards of publicly traded companies (e.g., the Sarbanes-Oxley Act of 2002 in the USA) as auditing and risk management technologies were envisioned by politicians without clearly being defined. Accordingly, the Québec government referred to global scandals and OECD reports as it introduced its legal amendments. The overarching suggestion made on the international level and re-embedded in the local context was that independent directors and strengthened auditing technologies had the potential to restore trust in public institutions.

As such, the ideal of performance in the public sector has been promoted through technologies of benchmarks and performance audits, advanced in the name of their presumed potential rather than their practical possibility or actual consequences (Hopwood, 1984). These claims may have been temporarily stabilized through their reliance on calculative practices overseen by independent boards of directors was increasingly perceived as capable of conveying change. From a critical angle, we argue that colonization of public sector auditing within the programmatic logic of NPM may have been largely built on an illusion.
PUBLIC SECTOR AUDITS AS AN ILLUSION OF CONTROL?

Like accrual accounting and budgeting (Carlin, 2005) or performance measures in the public sector (Townley et al., 2003), the promises tied to auditing lack sober empirical explications as to why it is a good thing and how it has the potential to improve public sector organizations. Rather it seems to have traveled essentially on emotive grounds, by unquestionable faith in the presumed benefits of abstract technologies. Arguments mobilized in the public debates consisted of general opinions, not supported through convincing elements such as empirical analyses or detailed reflective comments and anecdotes predicated on life experiences. As suggested by Flottes and Gendron (2010), superficiality is one of the main features characterizing the processes by which legislation and regulation tend to develop in society. It can be argued that the rhetorical strength of corporate governance mechanisms such as value for-money auditing results from intertwined configurations of power/knowledge, historically developed through experiments, inscriptions and discourses sustaining a particular set of “good practices” which make various claims, such as objectivity and universality (Gendron et al. 2007).

Auditing embodies ideals and hopes of enhanced performance, without a detailed explanation of how expert technologies ought to be carried out or what their effects may be once the task of implementation is complete. This critical remark is consistent with Clarke and Dean (2007), who are sceptical of various governance procedures put in place following corporate failures, which they believe are directed more at appearances (i.e., legitimization) than at rectifying underlying problems. Drawing on the above, we argue that auditing offered as a modernization of public sector organizations and viewed as an irreversible phenomenon and a natural evolution to which one cannot oppose, may be reflective of an illusion of control within the public sector.

Our questioning is firstly based on the substantive gap between the local failings and the technologies mobilized through legislation and presented in the previous sections. How could risk management, internal control reviews, increased internal auditing and benchmarking prevent local scandals from occurring? How should technologies be deployed to ensure their benefits in terms of governance? The superficiality of discussions circulating in the public arena in this respect is noteworthy. It seems that advocates prefer to discuss vague claims and expectations rather than ponder on how for example, new auditing techniques in the public sector can be a challenging endeavour, or the extent to which the embrace of risk management technologies clashes with social and political goals in a public sector context. It has been argued by Power (2009) that risk management technologies provide a false sense of security. We argue this is even more potent in the public sector considering the multiplicity of objectives perused. Yet governance experts sell risk management in a range of jurisdictions, as if it were a technical evaluation of combined probabilities and likely effects – with the realist assumption that the world of risk is measurable, quantifiable and controllable (Gabe, 1995). This form of articulation will leave public sector entities to figure things out for themselves; in the meantime control is at best limited and at worst illusory.

Secondly, while the corporate governance legislation provides politicians with the appearance of distancing themselves from the governance of public sector, in reality government remains largely accountable of the activities of public sector organizations. The illusions of control seem to have been created through the blurring of boundaries between the independent experts on boards and the politicians in power. However, when normative doctrines of accountability and transparency meet behavioral tendencies to blame-avoidance in modern public service systems, unintended consequences seem inevitable (Hood, 2007). Auditing as a part of NPM branded reform is carried by politicians and governance experts who have increased the supply of solutions by disregarding subtleties, nuances, experiences and contradictions which inevitably characterize the intertwined domain of expertise, programmes and practices. In the governments’ defence, it must be stated that keeping distance in not made easy by the opposition parties’ political statements and media criticism. Repeated attacks by the opposition against public sector management and the ensuing and inevitable media frenzy exert such pressure that governments feel compelled to intervene and calm things down, negating the distance they wanted to initiate.
In the public sector, auditing is essentially viewed as a means to monitor the agent – government manager, executive or politician – to limit his freedom to act against the best interest of the State. From this perspective, audit procedures are expected to reduce the « moral hazard » of public servants and should serve to ease the information asymmetry between public managers and public authority serving as a validation and transmission belt of economic information presented in financial statements. In theory, the auditor’s objectivity and independence as well as the quasi scientific rigor of audit processes are essential for the State, and more generally the public opinion to trust this surveillance mechanism. Like many occupations, auditors adopt the rhetoric and, to some extent, the routines of science (Carpenter et al., 1994). For example, auditors take “samples” and perform “tests” to reach “objective” conclusions. Although “this would be a pretty good description of a technician in a biological research lab, as well” […] “the analogy between auditors and lab technicians breaks down quite rapidly” (Pentland, 2000, p. 311):

In an audit, the samples, tests, and interpretations are all highly contextualized […] If the date and client name were removed from a typical audit working paper or accounting report, for example, it would be transformed from a working paper into scrap paper (and vice versa). And unlike a laboratory, there is never a control group. Each audit is a kind of uncontrolled experiment, and there is no way to know what would have happened if an audit were not performed. No wonder that audits are epistemologically obscure - auditors have adopted the rhetoric of scientific methodology without really being able to adopt much of the substance.

In sum, regardless of the ongoing and seemingly powerful illusion of control, the auditor’s report is not based on mathematical certainty. Audits are fundamentally subjective, interpretative (Francis, 1994), unpredictable (Morin, 2002), and in many ways, uncontrollable.

**DISCUSSION AND CONCLUSION**

This essay recognizes that NPM auditing programmes and technologies have successfully travelled around the globe, more so because of their underlying rhetoric than because of their proven effectiveness in transforming the public sector for the public interest (Parker and Gould, 1999). However such NPM programs do not travel in a vacuum; they are transported by various rationalities which are very powerful in particular to connect public failings to proposed regulatory solutions (Tremblay and Gendron, 2011).

What is difficult to distinguish is whether these rhetorical rationalities are more economic, political or social and how they interact with each other. It appears economic rationalities prevail as they are “now being seen as a way not only of reforming management of the State but also influencing priorities which are given in policy determination and decision making. Accounting is quite explicitly becoming implicated in the construction of different views of the problematic, the desirable and the possible” (Hopwood, 1984, p.171). However, social and political rationality can also support the NPM auditing programmes. Moreover, even if there is a focus on, social or political rationality, this does not automatically imply that the changes introduced will not have any effect on economic efficiency/effectiveness of the organizations involved (Ezzamel et al, 2005).

This paper’s initial intention was not to pass a judgment on the appropriateness of the “programme” of auditing or the application of private sector technologies but rather to critically question the audit explosion, in which programmes and ideals are embedded. Amongst the critical points raised we question the intentions of experts promoting NPM solutions. To a great extent the lack of in-depth reflections in the debates surrounding the proliferation of auditing is crucial for the illusion to take hold. By avoiding discussions on practical complications, the experience of others and the thought of consequences (Brunsson, 2006). Overall, our interpretations concur with accounts from a range of countries where NPM reforms have a longer history and where some criticism has been voiced (Parker and Gould, 1999; Hood and Peters 2004; Hood 2007; Lapsley, 2009). Intentions and implications in the public sector are underpinned by the belief that best value
for money can be secured through reliance on seemingly neutral financial controls, accounting and auditing technologies.

In a more general perspective, it is legitimate to reflect on what could better align auditing endeavors with public interest. Obviously amongst the insights provided by this essay in agreement with previous studies (i.e. Lapsley and Pong, 2000) is that NPM ideas and reforms are promoted through very simplistic and non-problematic arguments. Typically, the challenges and the necessity to delve into the messiness of the experiential are avoided, which raises the following question and problem to solve: How to make the complex and problematic visible? Ironically highlighting complexity is a complex task. Not the least because it requires enhanced knowledge and reflexivity but also because most citizens expect politicians to provide assurance in the form of simple and easy solutions. However, that being said, a first strategy could consist in encouraging the use of experts, however as shown in this study this approach is not necessarily the most effective. Auditing experts can be partial, self-interested and intellectually programmed. Another strategy would be to ensure better conditions of possibility for contradictory arguments to be raised within the auditing community. In concrete terms this could be achieved through extending the right for non auditors to participate in the audit process.

Insights from this essay suggest that ideas and rationales associated with auditing programmes and technologies matter if we are to better understand how control is developed as well as its positive and negative consequences and outcomes. Further research may examine the intended and unintended consequences associated with auditing reforms in the public sector. There are various ways by which researchers can continue to keep track of the mechanisms by which social spaces are formed and transformed. Applied researchers on the one hand, may follow auditors and seek to improve their technologies – focusing on means, not ends. Others, more critical or doubtful of the benefits of these technologies, will prefer focusing on revealing the ever-expanding network of backstage connections that sustain development of auditing technologies. Social scientists may want to study the laboratories where local auditing experiments are produced and how the inscriptions produced in one setting are validated by experts in other jurisdictions, thus solidifying the networks of support around auditing in the public sector.

As stated by Power (1997 p.144) it would be wrong to conclude that less auditing is desirable. The issue is rather a question of organizational design capable of building a moral competence and of providing regulated forms of openness around those competences. A view which is consistent with the growing enthusiasm for self-organization and responsive regulation but which also requires mechanisms for higher reflection on instruments of control, on the mix between internal and external audits and on the consequences of audit arrangements within the public sector and beyond.

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