

**Nordic state auditing:  
Differentiation or hybridisation of knowledge?**

Kim K. Jeppesen  
Copenhagen Business School

Thomas Carrington  
University of Uppsala

Bino Catasús  
Stockholm University

Åge Johnsen  
Oslo University College

Kristin Reichborn-Kjennerud  
University of Bergen

Jarmo Vakkuri  
University of Tampere

## 1. Introduction

According to Abbott (1988) encounters between professional groups in the workplace leads to a competitive situation, in which each group claims to have the relevant knowledge to serve the needs of the client in order to win the jurisdiction. We know from previous research that this is often the case with the relationship between public and private sector auditing. NPM-reforms emphasizing the liberal ideology of marketisation (Pollitt & Summa, 1997; 1999) have led to outsourcing of public sector audits to private audit firms, in order to create a competitive situation between the two groups with the purpose of enhancing audit quality and reducing costs. In Abbott's perspective, the competitive situation between private and public sector auditing makes it imperative for public sector auditing to differentiate its body of knowledge in case it wants to establish itself as an independent profession. Thus, the development of public sector auditing practices is driven by competition with private sector auditing.

However, the development of public sector auditing also present one of the paradoxes, which Hood & Peters (2004) argue should be the focus of present NPM research, because the knowledge base of private and public sector auditing simultaneously appears to be converging as IFAC and INTOSAI cooperates on developing standards for public sector auditing. The newly developed standards called the *International Standards for Supreme Audit Institutions* (ISSAI) are based on the private sector auditors' *International Standards on Auditing* (ISAs). Thus, while we may expect competition we also see cooperation between the two professional groups.

From a theoretical as well as practical perspective, the relationship between public and private sector auditors is therefore of interest to study. Kurunmäki (2004) has argued that an alternative to the occurrence of professional competition between two professions involved in the same work is the development of a hybrid knowledge base, and the convergence of auditing standards may be interpreted as a sign of this. Accordingly, it is of interest to see whether marketisation of public sector auditing creates a state of competition between the two professional groups forcing them to differentiate their knowledge, or whether it leads to the development of a hybrid form of audit knowledge. The answer to the question may have wide ranging effects on transparency and accountability in the public sector as well as on the strategic choices of Supreme Audit

Institutions<sup>1</sup> (SAIs), in particular with respect to their choice of organisational structure and professional practice.

In accordance with the theoretical perspective outlined above, the overall purpose of this paper is to analyse whether public sector auditing at present is shaped by differentiation or hybridisation of audit knowledge. We study the SAIs of the four Nordic countries Denmark, Finland, Norway and Sweden. These four countries are particular well suited to answer the question, because they lead INTOSAI's standard setting process<sup>2</sup>, and because they generally consider themselves role models for other SAIs<sup>3</sup> and consequently engage heavily in "capacity building" in developing countries.

In section two we present the theoretical framework in a more detailed way and analyse how this affects SAIs' strategic choices. In section three we present the research design. Section four goes on to present the organisational structure and professional practice in each of the four countries. Section five summarise and discuss the findings.

## **2. Theoretical framework**

With the introduction of New Public Management (NPM) the adoption of private sector accountability arrangements in the public sector was encouraged (Hood, 1995; Power, 1997; Pallot, 2003). In some cases this has lead to contracting out of public sector auditing to public accounting firms (Pollitt & Summa, 1999; English, 2003), thus disturbing the jurisdictional balance between private and public sector auditing. The disturbance appears to be more profound in contexts where public sector auditing has a different identity from that of the normal accounting profession (Jeppesen, 2010). In the Scandinavian countries, jurisdictional competition appears to

---

<sup>1</sup> In Sweden, Finland and Denmark the audit of the state is done by the National Audit Offices, in Norway by the Office of the Auditor General.

<sup>2</sup> The Danish NAO chairs INTOSAI's Public Standards Committee, the Swedish NAO chairs the sub-committee developing the ISSAIs on financial audits, the Norwegian OAG chairs the subcommittee developing the ISSAIs concerning compliance audits and plays a significant role in the development of the ISSAIs on performance audits together with Brazil.

<sup>3</sup> Directly asked whether they consider themselves role models for other SAIs, the interviewed auditor generals remarks that this is the case although they are "to shy to say this" (Swedish Auditor General). The Finnish auditor general elaborated: "Yes, we are role models because we have all possible means. In Finland we are an exception because we do not have a development budget like the others, but still we have a huge demand from the auditing community for all kind of support". As a further reason for involvement in developing activities, the Norwegian auditor general points to the competitive situation in developing countries between the National Audit Office and Court of Auditors system of organizing SAIs, apparently hoping to promote the former type of organisation.

be particularly prominent in the case of municipal audits (Johnsen *et al.*, 2004; Vakkuri *et al.*, 2006; Jeppesen, 2010).

In the sociology of professions, competition between professions is seen as the key driver behind professional development. Abbott's (1988) theory on the system of professions has been widely used to study intra-professional jurisdictional disputes within the accounting profession (see for instance Caramanis, 1999; Shafer & Gendron, 2005; Evans & Honold, 2007; Arena & Jeppesen, 2010), as well as inter-professional jurisdictional disputes between the accounting profession and other professions (see for instance Covaleski *et al.*, 2003; Walker, 2004; Edwards *et al.*, 2007). According to Abbott the link between a profession and its work is termed its "jurisdiction", and professions are perpetually in dispute over the boundaries of their jurisdictions. This is because professions exist in an interdependent system, where the most common way to obtain a jurisdiction is to capture it from another profession, which has previously held it. Alternatively, a profession may create a new jurisdiction or seize a jurisdiction that has become vacant. Attempts to capture a jurisdiction thus involve claims of expertise or knowledge about the jurisdiction. Claims of knowledge can be made in the public arena in order to persuade the public opinion, in the legal arena to gain formal recognition and protection of a profession's jurisdiction, or in the workplace as claims to control certain types of work (Abbott, 1988: 59–69).

While Abbott's theory implies that professional development is driven by the need to protect or capture a jurisdiction, Kurunmäki (2004), Kurunmäki & Miller (2006), and Miller *et al.* (2008) argue that this is not always the case. In some cases a hybridisation of expertise may take place, in which knowledge or techniques are transferred between professions in turn creating a new hybrid profession. The theory of hybridisation of expertise is based on studies of hybridisation of medical expertise and management accounting in Finnish hospitals. The argument is that the medical profession complemented its medical knowledge by adopting the mobile techniques of management accounting thus forming a hybrid profession, where calculative practices became an integrated part of hospital doctors' clinical work. Thus, the precondition for hybridisation is that knowledge and techniques are mobile. The mobility depends on the context, in particular on the degree to which abstract knowledge is made operational in the form of standardised techniques.

The more such techniques has replaced “professional judgement”, the more mobile they are, the higher the likelihood that hybridisation of expertise may occur. The hybridisation theory is contested by Jacobs (2005), who argues that an alternative to interpreting the relationship between medicine and accounting as hybridisation is to see it as a case of polarisation, where a part of the medical profession specialises in medical management. Faced with jurisdictional competition, professions may thus polarise or segment rather than hybridise (Blomgren, 2003).

There are signs which may indicate that a process of hybridisation of audit knowledge is taking place. Since 2004 a convergence process between private and public sector auditing standard setting has occurred, in which the Nordic SAIs are central actors (Ånerud, 2004; 2007; Olsen, 2006; Norgren, 2010). INTOSAI has decided that public sector financial audits should be based on the International Standards on Auditing (ISA), developed by the International Federation of Accountants (IFAC). Chaired by the Danish Auditor General, INTOSAI’s Public Standards Committee has consequently developed a line of International Standards of Supreme Audit Institutions (ISSAI) based on the ISA. Each ISSAI consists of a number of paragraphs discussing the applicability of the corresponding ISA in the public sector, providing additional guidance on specific public sector issues, and including the entire ISA as an appendix to the ISSAI (Blegvad, 2007). The entire set of ISSAIs is completed in 2010 and has recently been adopted by the XX INCOSAI congress<sup>4</sup> as the common frame of reference for public sector audits. The convergence of private and public sector auditing standards may thus be seen as an indication of the existence of a new joint type of audit knowledge, which transcends the traditional dichotomy between financial auditing and performance auditing.

To the extent the jurisdictional balance between public and private sector auditors is disturbed by the common outsourcing of public sector audits, theory thus suggests that this will lead to either a competitive situation in which the public sector auditors are likely to focus on their specific competences in performance auditing, or to the development of hybridised audit knowledge. The disturbance of the jurisdictional balance thus give the Nordic SAIs four strategic options depending on the degree of competition and the professional identity the SAI seeks to develop:

---

<sup>4</sup> The South Africa Declaration on the International Standards of Supreme Audit Institutions, see [www.issai.org](http://www.issai.org).

- a) The development a performance audit based strategy. This is in line with Pollitt's (2003: 166–167) first strategic choice, i.e. to amplify the differences between performance auditing and financial auditing, thus basing the SAI's jurisdiction primarily on performance audit knowledge, while the private sector auditors may claim financial auditing expertise. This is only a relevant strategy when the situation is one of competition between two groups of auditors with different professional identities. This strategy gives the SAI maximum autonomy because performance auditing is an ambiguous concept (Power, 1997; Lapsley & Pong, 2000; Lindeberg, 2007) open to the ideas of individual Auditor Generals (Hamburger, 1989; Pallot, 2003).
- b) The development of a financial audit based strategy. In cases where the SAI has a general professional accounting identity, i.e. where the SAI adopts the same educational and training programme as private sector auditors, the SAI may base its jurisdiction primarily on financial auditing knowledge. This is usually done to raise the status and legitimacy of public sector auditing.
- c) The development of a portfolio strategy (Pollitt, 2003), in which the SAI is divided into different subunits specialising in respectively performance auditing, financial auditing, compliance auditing and other types of work. In this strategy, the three types of audits are seen as fundamentally different, requiring specialised competence, and thus done separately. In these cases the professional identity of the SAI inevitably becomes rather ambiguous or segmented.
- d) The development of a hybrid strategy, where the competitive situation between private and public sector auditors results in state auditing being developed as a hybridized practice, merging elements from performance auditing and the relatively mobile techniques of financial auditing into a new type of audit. The hybridised audit could thus form the basis for a distinct public sector auditing jurisdiction.

In terms of organizational structure, we expect to find a functionally divided organisation in case alternative a), b) or c) is chosen, with departments for performance auditing, financial auditing and compliance auditing. Since these departments are focused on their particular knowledge, we

expect to find relatively little co-operation between the departments. Furthermore, in case a performance audit strategy is chosen we expect the performance audit department to be larger and have more resources than financial and compliance auditing. Since performance auditing relies on knowledge of and experience with the organisation being audited (Percy, 2001: 358-359) we also expect to find the functional departments sub-divided in offices according to the organisations they audit. Similarly, in case a financial audit strategy is chosen we expect this department to be bigger and with more resources than performance auditing and compliance auditing. In case a hybrid strategy is chosen, we expect to find either a market (client) based organisation or a matrix organisation, i.e. a combination of functional and market based organisation, which would allow specialists in each type of auditing to cooperate in the audits of particular clients. A matrix organisation would allow the SAIs employees to share knowledge on the job and is best suited for the informal development of hybridised audit knowledge.

The purpose of our research is to analyse which of these strategic alternatives the Nordic SAI have chosen and how it affects their organisational design. In the following section we present the study's research design and data collection method. In section four we go on to analyse the work and organisational structure of the SAI in Denmark, Finland, Norway and Sweden, focusing on the SAI's reporting lines, the work done by the SAI, the competences of the SAI's employees, and the formal organisational structure.

### **3. Research design**

The research design is that of a comparative case study (Yin 1994) between the SAIs in four Nordic countries: Denmark, Sweden, Finland and Norway. There are, arguably, several similarities between the Nordic countries (a relatively large public sector, an explicit ambition to create and sustain a welfare state, a relatively developed governance system for control, independent state auditors, a Nordic language etc.). The geographical and historical links bind the countries together and there are continuously efforts being carried out to sustain these links (e.g. the Nordic Council, the Nordic Coordinated Arrangement for Military Peace Support, and the Nordic Research Council). The Nordic countries, then, stand for a relatively homogeneous context in which it is possible to study four SAIs and explore the choice of strategic alternatives.

The four countries were selected for this study because the Nordic SAIs are “early adopters” of new developments in governmental audit (references) as well as influential in the international audit profession’s standard setting processes (references), and they seem to show internal variation with regards to organisational design and other adaptations to the environment. Data is collected by documentary studies of the Nordic National audit offices’ homepages and other publicly available material. In a few cases we have also had access to internal reports from the National Audit Offices, e.g. the report about the development of the Danish Annual Audit concept (Rigsrevisionen, 2007). The documentary material is supported with interviews with employees and auditor generals of the Nordic National Audit Offices, see table 1 for details. Finally, we have done a focus group interview with the Auditor Generals of the Nordic countries at their meeting in Denmark in July 2010.

**Table 1: Details of interviews**

<b>Country</b>	<b>Interviewed persons</b>
Denmark	Henrik Otbo, Auditor General (May 2010) Rolf Elm-Larsen, Head of Development Office (May 2010)
Sweden	Eva Lindblom, Head of auditing at Riksrevisionen.
Norway	Director general Therese Johnsen (May 2010)
Finland	Tuomas Pöysti, Auditor General Marko Männikkö (Chief of Staff) (May 2010)
All Nordic countries	Focus group interview July 2010 with Henrik Otbo (Denmark); Tuomas Pöysti (Finland); Jørgen Kosmo (Norway); Claes Norgren, Jan Landahl and Gudrun Antemar (Sweden).

The interviews are conducted with the theoretical framework presented in section 2 in mind. We have thus questioned the auditor generals about the professional identity and competences of the auditors in their institutions, how they experience their competitive situation, how they see their role in society and in the world of SAIs, which role models they may have, their audit concepts and whether these concepts combine the different types of auditing.

## **4. State auditing in the Nordic countries**

In this section we present the SAIs and the presentation focuses on the reporting lines (i.e. to whom and how is the SAI accountable), the audits (i.e. the volume and focus of the audits), the competence (i.e. how is the competence structure in the SAI) and the organisational design.

### **4.1. Denmark**

#### **4.1.1. Public sector audits in Denmark**

The Danish state and organisations/companies, which receives funding from the Danish state or in which the Danish state is a dominant shareholder, is audited by Rigsrevisionen (the National Audit Office of Denmark, henceforth the NAOD). Danish local government in the form of regions and municipalities are audited by private audit firms (see Jeppesen, 2010 for an account) and is not the subject of this paper. The NAOD reports to the Danish Parliament's Public Accounts Committee (PAC). The PAC can order the NAOD to examine specific areas, but the NOAD can also take up cases on its own accord. The Public Accounts Committee consists of six politicians, who are appointed by the political parties. They are elected for a four-year period regardless of elections and meet on a monthly basis. Based on the NAOD's reports, the PAC eventually voices criticism of ministries and agencies. It is also the PAC, which communicates with the press and the public about the initiatives and consequences of the NAOD reports. The NAOD is funded by the Government through an appropriation on the State Budget (Finansloven) with an annual budget<sup>5</sup> of around 193 million DKK (25 million Euro) in 2009 (Rigsrevisionen, 2010).

#### **4.1.2. The NAOD's audits**

The NAOD conducts two types of audits; annual audits and major studies. The annual audits are required of all organisations/companies which receives funding from the Danish state (municipalities and regions excepted). Annual audits are regulated by law and comprise mainly of financial auditing, combined with some performance auditing and compliance auditing. Furthermore, the PAC may ask the NAOD to do major studies (mainly performance auditing) of

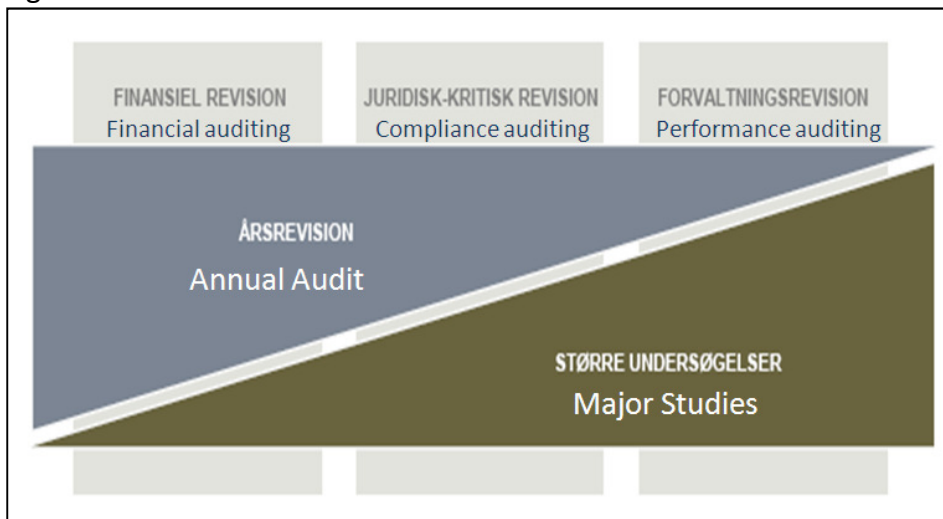
---

<sup>5</sup> Defined as "ordinære driftsindtægter".

particular areas of the public administration, but the NAOD is also free to take up cases on their own accord. The NAOD used approximately 28% of its resources on major studies in 2008 (Rigsrevisionen, 2009a). In 2009 the NAOD published 108 reports on annual audits and 19 reports on major studies. In addition to this, the NAOD does around 60-70 minor notes to the PAC every year, for instance in the form of follow up notes on previous reports.

The NAOD describes the relationship between financial auditing, compliance auditing, and performance auditing in the annual audits and major studies with the following figure:

Figure 1: The NAOD's audits



Source: Rigsrevisionen (2009a)

As it appears, the annual audits consist mainly of financial auditing with elements of compliance and performance auditing included. A major study, on the other hand, consists mainly of performance auditing but also includes elements of compliance auditing and financial auditing. The NAOD's audits are consequently mixtures of the three types of auditing, and it makes little sense to label the NAOD's work as either "financial auditing" or "performance auditing". The NAOD's audits are done in accordance with the ISSAI and a guideline on "Good Public Sector Auditing Practice" developed by the NAOD (Rigsrevisionen, 1998).

In the mid 1990s, a study comparing the performance audit approaches of the NAOD and the Swedish NAO (SNAO) concluded that the Swedes were more aware and explicit concerning their

methods than the Danes (Kjær, 1996). The SNAO applied social science methods in their performance audit work, whereas the NAOD largely applied normative considerations regarding compliance with procedures and rules. To some extent the focus on normative considerations still appears to be the case. The NAOD distinguishes between four different types of performance audits (Andersen, 2004): descriptive studies, evaluating studies, causality studies and change-oriented studies. Evaluating studies are applied where the NAOD wants to evaluate the auditee against minimum requirements in the form of for instance official policy statements or principles for good governance, the latter being developed by the NAOD (Andersen, 2000). Causality studies are applied where the NAOD seeks to explain causes and evaluate these against consensus based audit criteria in the form of recognised theory. Change-oriented studies are applied where the NAOD want to provide recommendations for the auditee to enhance its performance. These are similar to causality studies in applying recognised theory as audit criteria, but differ by the NAOD expressing an opinion on which measures will produce the greatest improvements. Thus, in the work of the NAOD there still appears to be a high degree of reliance on checking compliance with explicit audit criteria, in particular in evaluating studies. The NAOD's approach to performance auditing thereby incorporates elements from financial auditing, which is defined as checking correspondence with established criteria<sup>6</sup> in the ASOBAC conceptual framework (American Accounting Association, 1973). In this sense, the performance audit elements in major studies and annual audits may itself be considered partly hybridised.

From 2008, the annual audits are based on the Business Risk Audit approach<sup>7</sup> adapted to the public sector (Rigsrevisionen, 2007), and thus has a particular focus on testing strategic risk management controls and reporting deficiencies in these to management. As such the Business Risk Audit approach contains elements from performance audits and may to some degree be considered a hybrid practice. As part of the annual audit the NAOD also check that the auditee complies with the Ministry of Finance's rules, in particular the budget guideline, or the institutions

---

<sup>6</sup> The exact definition is: "Auditing is a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria and communicating the results to interested users" (American Accounting Association, 1973: 18).

<sup>7</sup> For an overview of development of the concept see Knechel (2007). A modified version of the Business Risk Audit approach relying less on evidence from analytical procedures than originally suggested by Bell et al. (1997) is codified in ISA 315, 330 and 500.

own rules. The NAOD does not require the auditee to follow any particular risk management guides or corporate governance codes in spite of the fact that the Ministry of Finance has developed a guideline on risk management in state organizations (Økonomistyrelsen, 2007). The annual audit concept is updated periodically, typically every second year. According to an interviewed Head of Office at the NAOD, the PAC members have never shown any interest in the development of the annual audit concept. However, the NAOD conducts an annual “Customer Survey”, in which the auditees are asked of their opinion of the NAOD’s audit concept (Rigsrevisionen, 2009b). In this survey the majority of the respondents were of the opinion that the Business Risk Audit approach introduced in 2008 should be continued because they saw it as an opportunity to establish more constructive working relationships with the NAOD. However, taking up new areas for audit such as performance contracts, organizational development projects and large investments was also considered a challenge for the NAOD’s core competencies.

In summary, the basic idea behind the NAOD’s annual audits and major studies appears to be an idea of hybridization of financial auditing and performance auditing, although the former has a prominent role in annual audits and the latter a prominent role in major studies. Some of the performance audit work done contains elements from financial auditing, just as the financial audit approach contains elements from performance auditing, which reinforces the impression of an initial hybridization of audit practices. However, there appears to be little synergy between annual audits and major studies due to the functional traits in the organization, see section 4.1.4.

#### **4.1.3. The NAOD’s competences and identity**

The development of the audit concepts, in particular the turn to performance audits, has resulted in the need for a change in the staffing of the NAOD. In 1980, only 28% of the NAOD’s employees had academic degrees (bachelor or master), with an additional 12% holding diploma degrees. The remaining 60% were clerks. By 2009, the academic group had grown to 74% of the employees and the group of trained clerks had been reduced to 18% (Elm-Larsen, 2001: 125; Rigsrevisionen, 2010). However, the academic group has also undergone a great deal of change. Earlier, the majority had law degrees but these are now largely replaced by candidates with degrees in economics, political science or accounting in order to raise the quality of the performance audit

elements of the NAOD's work. In recent years, the NAOD has also recruited a number of people with accounting degrees, mainly specialized in financial auditing.

In the 1990s the NAOD's role model was the UK NAO or perhaps more accurately its Auditor General: "Well for many years the former UK Auditor General, Sir John Bourn, was a leading character. Before he came in, European cooperation was very much that each and everyone told their own story and nobody was helping colleagues. He came in with the approach that you want to help colleagues, you want to learn from colleagues, you want to share knowledge. But in the end it was not a happy ending, because he got a clear message from the UK Parliament to stay in London, mind his own business, and not spend money on helping colleagues throughout Europe" (Auditor General). So the UK NAO is no longer considered a role model, in particular because "the UK NAO aspires to become a private audit firm" (Head of Office), which includes the adoption of the ICAEW training program. The NAOD has a great deal of focus on the development of a differentiated set of competences for public sector auditors, which a few years ago led them to participate in the establishment of the Danish Certified Public Sector Auditor qualification, an initiative which caused a jurisdictional dispute with the private auditing profession (Jeppesen, 2010). The development of the public sector auditor qualification with performance auditing as the distinguishing factor, makes it clear, that the NAOD's identity is different from the normal auditing profession. Instead, they appear to have a performance auditor identity.

According to the Danish Auditor General, the NAOD has lost the competition for the audit of the municipalities in Denmark to the private audit firms. He regrets this because a substantial portion of the public expenditure thereby is audited by private audit firms: "In Denmark, we have lost the battle [to the chartered accountants] as regards to who is watching the local communities in the sense that maybe 75% of the tax-payers money is being spent locally". He also states that the key to keep competition away is to deliver audits which the stakeholders consider to be of high quality.

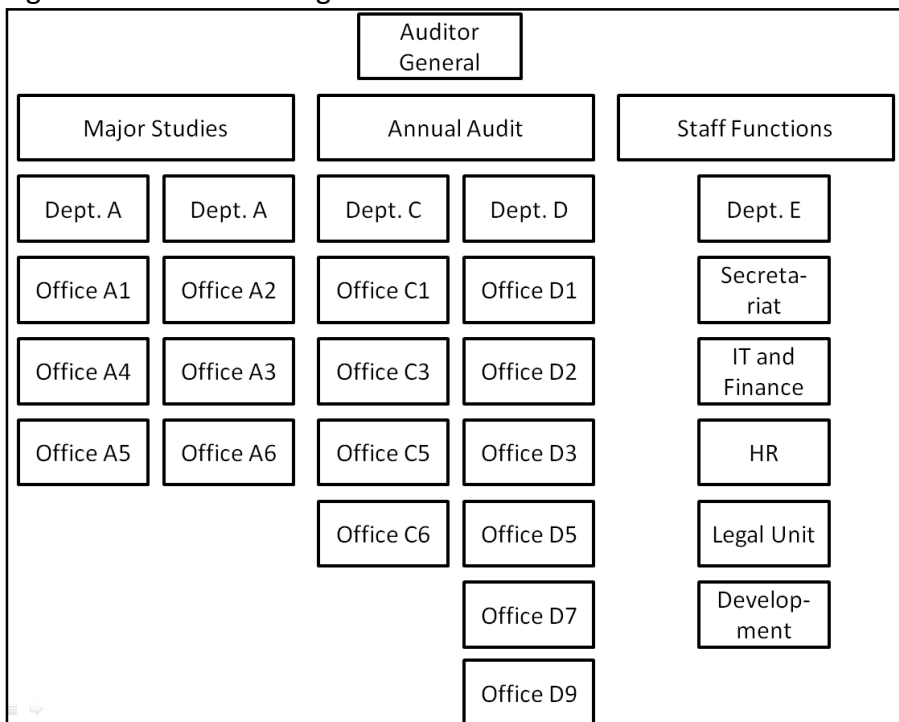
Thus, although the audit practices of the NAOD to some degree are hybridizing, there are no signs of the development of a hybrid identity. The competitive situation and the following need to

differentiate the NAOD from the private audit firms has led the NAOD to develop an identity primarily shaped by competences in performance audit and to staff the NAOD accordingly.

#### 4.1.4. The NAOD's organisational structure

The NAOD appears to be matrix organized according to Figure 2. Functionally it is divided into two departments for major studies and two departments for annual audits, supplemented with a department for various staff functions such as HR, legal services, and development. Each of the functional departments is in turn divided into a number of "offices" according to the ministries and organizations it audits. Office C5, for instance, does annual audits the Ministry of Justice and the Ministry of the Environment, while Office A5 does major studies of the Ministry of Defense, the Ministry of Energy, the Ministry of the Environment, and the Ministry of Foreign Affairs.

Figure 2: The NAOD's organization



Source: <http://www.rigsrevisionen.dk/organisationsdiagram>

Although the basic idea behind the organizational structure appears to be a desire to create a matrix organization, in practice the functional elements are dominating. This is because there is no consistency between the work-areas of the offices doing annual audits and major studies. The effect of the functional elements being dominant is that the organizational structure maintains a

division between major studies and annual audits, which do not encourage the informal development of hybrid approaches to public sector auditing.

## **4.2. Sweden**

### **4.2.1. Public sector audits in Sweden**

The Swedish state and organisations/companies, which receives funding from the Swedish state or in which the Swedish state is a dominant shareholder, is audited by Riksrevisionen (the Swedish National Audit Office, henceforth the SNAO). Swedish local government in the form of county councils and municipalities are audited by politically elected auditors and is (as mentioned above) not the subject of this paper. Financial auditor's reports are submitted to the Government except as regards the agencies with the Swedish Parliament as principal. Likewise performance audit reports are addressed to the government unless the audited principal of the entity is the Swedish Parliament.<sup>8</sup> In addition to this the performance reports are sent to the SNAO board.<sup>9</sup> The board is comprised of an odd number of at least eleven members elected by the parliament. Present or previous members of parliament can be elected for the board. The seats on the board are allocated proportionally according to the political representation in the parliament. Each political party in the parliament has at least one seat on the board. The board then decides if to send a report, which can include suggested actions, to the parliament.<sup>10</sup> There is no parliamentary audit committee in Sweden. Instead, the reports that the board decides to send to parliament have to be processed and politically dealt with within the affected parliamentary subcommittees. The government also has the obligation to report how they have dealt with the report and what decisions (if any) has been made with regards to the audit reports. This reporting by the government is made in the state budget bill. The SNAO does not formally follow up on its reports

---

<sup>8</sup> There are currently four entities that have the Swedish Parliament as principal: The parliament administration, the Swedish central bank, the parliamentary ombudsmen ("the ombudsmen of justice") and the SNAO itself.

<sup>9</sup> Following the proposal of an official government report (Riksdagsförvaltningen 2008) it is however probable that the SNAO board will be abolished in the near future.

<sup>10</sup> If the parliament choose to change the constitution and abolish the board and the constitution is changed in accordance with the suggestion in the official government report the SNAO will report directly to the government and affected parliamentary committees.

in the same way as for instance the National Audit Office of Denmark does via the Public Accounts Committee. The SNAO does however publish a yearly follow up report on how its previous performance reports have been dealt with by the SNAO board, the government and the parliament. The SNAO is funded by the Government through an appropriation on the state budget with an annual budget of around 317 million SEK (33 million Euro) in 2009.

#### **4.2.2. The SNAO's audits**

The SNAO conducts two types of audits; annual financial audits and performance audits. The financial audits are required of all organisations/companies that receive funding from the Swedish state (county councils and municipalities excepted). Bi-annually an auditor's report on the annual report of the Swedish State is submitted to the Swedish Parliament and the government. Performance audits are initiated by the SNAO itself. No other entity can order the SNAO to perform audits or other investigations. The decisions on the focus of both financial and performance audits are governed by the SNAO's assessment of materiality and risk. Compliance audits are not performed independently but both the financial and performance audits can contain compliance audit elements. The SNAO's financial audits cover more than 250 agencies. The SNAO also appoints auditors for about 40 state-owned enterprises and about 20 foundations. About 30 performance audits are carried out each year. The SNAO spends slightly more money on performance audits than on financial audits. In 2009 the SNAO spent 42% of its total costs of 317 million SEK on performance audits and 37% on financial audits (Riksrevisionen, 2010).

The SNAO has chaired the INTOSAI subcommittee on financial audit guidelines (FAS) since 2002. Starting with audits of the 2010 annual reports the SNAO has committed to follow the ISSAI. The performance audit standards are however deemed to be not fully developed and are hence complemented by an internally developed guidance adding to the ISSAI. The SNAO do not require the auditee to follow any particular risk management guides.

Thus, there is a sharp distinction between financial audits and performance audits in the SNAO's work, and the two types of audits appears to be equal judging from the resources spend. There are no signs of the development of hybrid audit knowledge in the SNAO.

#### 4.2.3. The SNAO's competences and identity

About 80 % of the performance auditors have a background in either political science or economics (split approximately 50/50) (Eva Lindblom, interview). The other 20% have had their education in any of a number of subjects including law, sociology and science (Ibid.). Almost all of the financial auditors have an accounting degree from a university business administration department (Ibid.). Four out of five financial auditors are recruited directly out of university. Other - more senior - financial auditors are typically recruited from private audit firms. Some are recruited from state departments and other government agencies. The performance auditors are mainly recruited from government agencies and state departments such as the budget office and the finance department. Some are recruited as they graduate from university.

The SNAO has worked together with FAR to produce a certification for the financial auditors within the NAO. This certification closely resembles the certification for auditors employed in the private sector. There is however no formal certification required by law. There is no certification for performance auditors. Both financial and performance auditors must to take part in an internal education program tailored to their respective specialities. The SNAO's role models - to the extent they have any - are other NAOs.

When asked about the competitive situation, the Swedish Auditor General remarks that regarding performance auditing there are some competition with evaluation agencies, e.g. the IFAU<sup>11</sup> which is evaluating labour market policy. Regarding financial auditing there are also some competition with the private audit firms, but the SNAO consider itself to be in an advantageous position, because "the kind of services we would provide in relation to the parliament and government within financial audit has a further angle than exactly what the private auditors do. One example would be the kind of surplus information that we gather within our financial audit. I guess the private auditors wouldn't do anything special with that" (Norgren, interview). Thus, in practice there may be some overflow between financial auditing and performance auditing.

However, in general the SNAO's identity appears to be split. Having the same qualifications as the financial auditors in the private sector, the financial auditors in SNAO identify themselves with

---

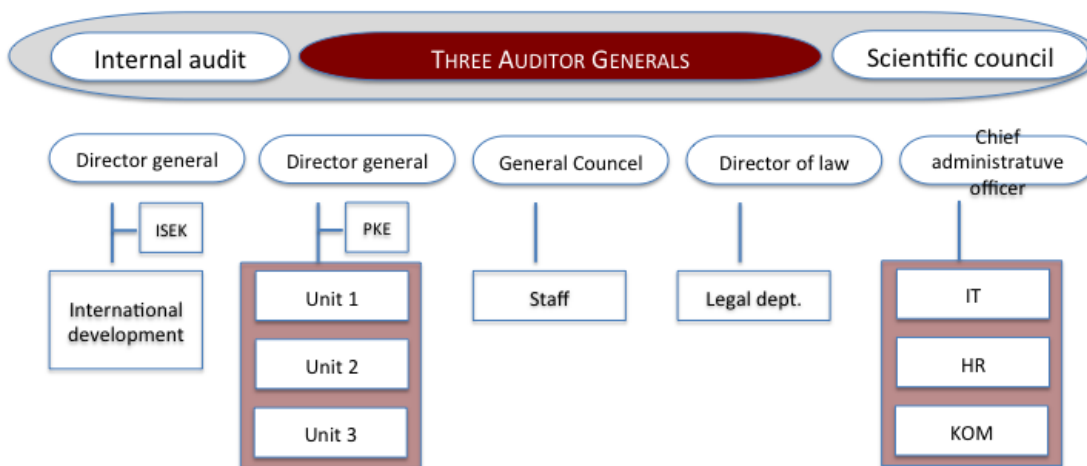
<sup>11</sup> The Institute for Labour Market Policy Evaluation, see <http://www.ifau.se/en/>

these more than they identify with their performance audit colleagues within the SNAO. On the other hand, the performance auditors see themselves as belonging to a separate profession with a different knowledge base. Except from the claimed overflow from financial to performance audit, there is no evidence of the emergence of a hybrid identity.

#### 4.2.4. The SNAO's organisational structure

There are three auditor generals in Sweden. The auditor generals are appointed by the government for a period of seven years (the periods overlap each other) and can not be re-elected for a second period. Below the auditor generals are a deputy director-general responsible for the command staff and the SNAO's international activities; a head of auditing; and an administrative director responsible for accounting, IT, human resources etc.

Figure 3: The SNAO's organization



Source: [http://www.riksrevisionen.se/templib/pages/NormalPage\\_\\_\\_\\_876.aspx](http://www.riksrevisionen.se/templib/pages/NormalPage____876.aspx)

The SNAO has three audit units responsible for separate audit areas. Each unit includes both performance and financial auditors and there is only one auditor in charge for the area audited. Still, the financial and performance audits are quite separate with different managers responsible for the two types of audits and the auditors on the field only as an exception cross from one type of audit to the other. In that sense the SNAO de facto have a matrix organisation although this is not how the SNAO describe itself (the horizontal chains of command terminate at two “process owners”; one for financial auditing and one for performance auditing). As such the organisational

structure formally encourages the development of hybrid knowledge, but the split identities and the lack of cooperation in practice works against it.

### **4.3. Finland**

#### **4.3.1. Public sector audits in Finland**

Reflecting the Finnish two-tier governmental system public sector auditing is conducted at two major levels. First, there is the state auditing system in which the Finnish National Audit Office (Valtiontalouden tarkastusvirasto, hereafter FNAO) plays a major role. Secondly, due to its extensive self-autonomy Finnish local government has a fairly independent audit system that is divided into a professional external auditing element (certified auditors) and a policy auditing element consisting of municipal audit committees with politically elected council members, see Vakkuri et al (2006).

The scope of FNAO's activities covers the Government and its ministries, funds of state-controlled agencies outside the state budget, state business enterprises and state-owned companies, compliance of the uses of state grants and aids to local authorities<sup>12</sup>, enterprises and other organizations and the transfer of funds between Finland and the European Communities. On the other hand, FNAO does not audit the finances of Parliament, funds under Parliament's control, the Bank of Finland or the Social Insurance Institution.

All the FNAO's audit reports are submitted to the auditee, the respective ministry, also for information to Parliament's Audit Committee, and the Ministry of Finance.<sup>13</sup> The report includes the audit statement and necessary measures to be conducted based on the audit. The auditee and the responsible ministry need to inform FNAO of the measures they will take. FNAO may also supply confidential documents and other information obtained in the course of an audit to these authorities and the parliamentary committee if necessary to carry out the measures required by

---

<sup>12</sup> FNAO is entitled to audit uses of state grants to local government. The perspective is that of the "state budget", i.e. to analyze legal compliances of the grant use according to rules.

<sup>13</sup> The Parliament's Audit Committee was created in 2007 by combining the parliamentary oversight of government finances formerly performed by the Parliamentary State Auditors with the related functions performed by the Finance Committee of Parliament. The principal role of the Audit Committee is to oversee state finances from the Parliament perspective. It also aims to direct political attention to control and audit issues. The status of the Audit Committee has become fairly important in the Finnish Parliament.

the audit. Furthermore, FNAO submits a comprehensive report on its activities to Parliament each year by the end of September. Additional reports are submitted if required. The appropriate parliamentary committee also has the right to obtain information from FNAO on audit activities which it needs to deal with audit reports.<sup>14</sup> In 2009, the FNAO received a lump-sum budget of 14.3 million Euros from Parliament. The National Audit Office of Finland is directed by Auditor General, who is elected by Parliament for a term of six years. The current Auditor General was elected to serve from 1 January 2007 to 31 December 2012.

#### **4.3.2. The FNAO's audits**

The work of FNAO primarily consists of two types of auditing, financial audit and performance audit<sup>15</sup>. The most important part of financial audit is annual audits of accounting agencies and ministries. These focus on compliance with the state budget and its implementation, the 'true and fair view' of the information in financial statements and the proper organization of internal control systems in state agencies. There may also be non-standardized financial audits, the objectives of which are determined on case-by-case basis. Financial audit tasks are developed using risk analysis.

Performance audits concern cross-sectional and inter-governmental issues of state finances, accounting information and performance management. For instance, contractual arrangements or setting performance objectives may be evaluated simultaneously in different sectors of the state government. Performance audits address and emphasize value for money (the three E's principle) aspects in state agencies. FNAO selects the topics for performance audits annually on the basis of its audit plan. A systematic risk analysis is used for this purpose. Performance audits usually include a preliminary study on the basis of which the actual contents and methods of the audit are determined. Performance audits may include interviews, surveys, documentary analysis and possibly statistical analysis. Very often performance auditors make on-site visits to different parts of the country.

---

<sup>14</sup> FNAO must also report any offence which it observes during audit activities involving state funds. This may be turned over to pre-trial investigation, police force and other investigative authorities as well as prosecuting authorities.

<sup>15</sup> They may also conduct specific compliance audits. The concept of financial audit is broader here.

The number of financial audits is associated with the number of auditees, i.e. accountable entities in state government. The FNAO is required to provide a report of financial audit on every accountable entity in state government. In 2009, the FNAO conducted 64 such audits, but due to institutional restructuring the number of financial audits may vary from year to year. The number of performance audits conducted annually is based on the audit strategy of FNAO, where the emphasis is on produce more comprehensive audit reports in order to increase audit impact. In 2009, the FNAO conducted 22 performance audits but according to the Auditor General (interview, May 2010) the strategy will decrease the number of performance audit reports in the future. In 2009, the FNAO spend 52% of its resources on financial audits and 40% on performance audits (Finish National Audit Office, 2009).

As it appears, the FNAO distinguishes between financial auditing and performance auditing in its work, and uses more resources on financial auditing than performance auditing. However, the FNAO is considering combining the two types of audits and has recently developed two hybrid products (interview, May 2010). The first is the audit of government steering systems. This product combines the audit of accounting information with a comprehensive perspective of good governance. The second is the audit of the effectiveness of financial policy. The objective is to link macroeconomic analysis of the Finnish economy with accounting and decision making systems in state government. The demand for this type of analysis has been steadily increasing. The FNAO has used experiences from Sweden (Riksrevision, Finanspolitisk rådet), UK (National Audit Office) and USA (Government Audit Office) in creating this product. These hybrid products are assumed to enhance the institutional change of FNAO from a “box-ticking” audit organization to an institution with wider relevance for society.

#### **4.3.3. The FNAO’s competences and identity**

The most important areas of required expertise are accounting, law, methodological skills and special substance areas of public sector activities (FNAO documentation). The last two are more relevant in performance auditing work. In managing competences FNAO aims at a reasonable balance. It tries to support specialization within its two main areas of audit expertise, financial and

performance audit, assuming this will raise audit quality. They also consider these areas to be two “different professions” (Auditor General, interview). The FNAO does not think that there would be one uniform, general “public sector auditing” concept to utilize. In Finland there is a certification for Public sector auditing (Chartered Public Finance Auditor, CPFA), but due to the constitutional status of the FNAO it is not obligatory for FNAO auditors to have this certification. Most CPFA auditors work as auditors in local government or audit firms with municipalities or municipal corporations as auditees.

Asked about the competitive situation, the Finnish Auditor General remarks that financial auditing is mainly in competition with the private audit firms when it comes to municipal audits, as was the case in Denmark and Sweden. Performance audit is to some degree in competition with the Ombudsman-institution, which has created an evaluation board.

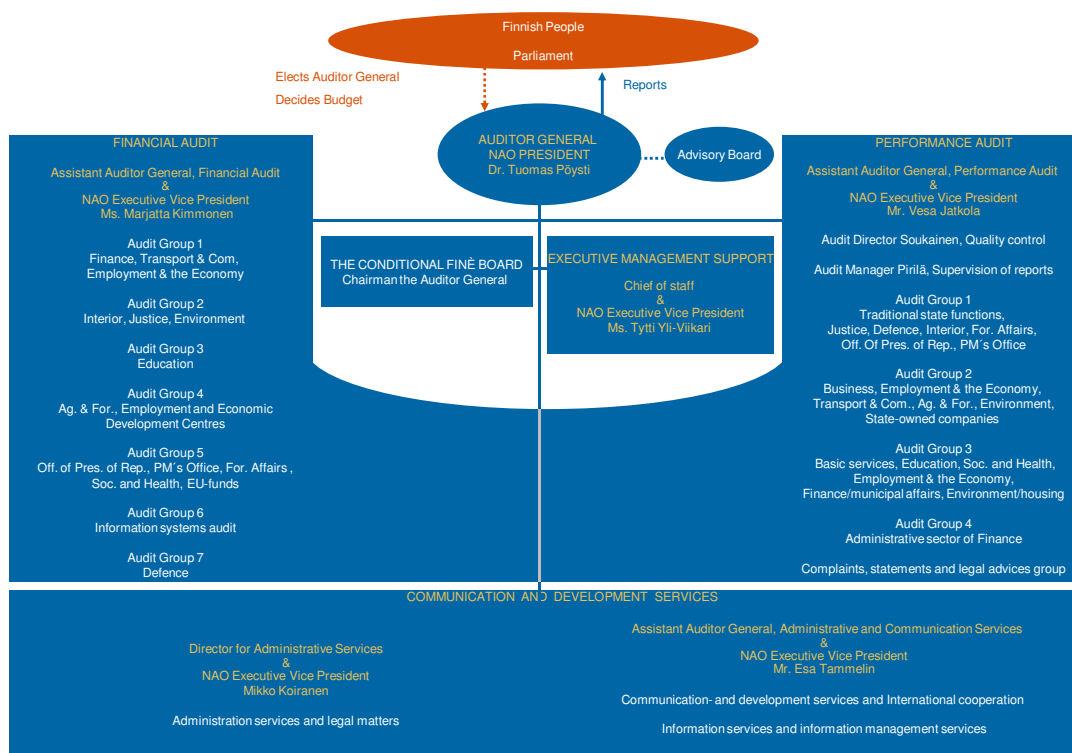
According to FNAO, there is a world of financial auditing, where it is possible to use business-like audit concepts, procedures, and standards. On the other hand, there is a performance auditing world where it is necessary to adopt more research-oriented work approaches, evaluation studies and related methods and techniques. The FNAO has been systematically recruiting researchers and PhDs to strengthen this part of their audit work. Finding a proper balance between the required competences is considered an important management problem. The FNAO has around 150 employees. In 2007, 89% of the FNAO’s employees, and 96% of its auditors, had an academic degree. As in Sweden, the FNAO’s auditors thus have a split identity between two equal types of auditors, and its recruitment policy appears to reinforce this. There are no signs of a hybrid identity emerging.

#### **4.3.4. The FNAO’s organisational structure**

The FNAO is functionally organized into three units according to Figure 4: Financial Audit, Performance Audit, and Communication and Development Services. The Financial and Performance Audit units are managed by two Assistant Auditors Generals. The audit work of the Financial Audit unit is divided into seven audit groups, whereas Performance Audit is organized

into four audit groups. However, the work-areas of the financial and performance audit groups are not consistent.

Figure 4: The organizational structure of the FNAO



Source: the website of the FNAO ([http://www.vtv.fi/en/organisation\\_and\\_status](http://www.vtv.fi/en/organisation_and_status))

As with the Danish and Swedish NAO, the functional organization separates financial and performance audit work and does not support the development of hybrid knowledge.

#### 4.4. Norway

##### 4.4.1. Public sector audits in Norway

The Office of the Auditor General of Norway (*Riksrevisjonen*, henceforth OAG) reports to the Parliamentary Standing Committee on Scrutiny and Constitutional Affairs (SCA). The SCA handles the reports and questions the ministers. The SCA then submits its proposal for decision to the Parliament. The Parliament discusses the proposal and makes a decision.

The Board of Auditors General consists of 5 Auditors General. The Auditors General and their personal deputies are appointed by the Parliament (*Storting*) for a period of four years. The Board

of Auditors General reports to the Storting. The Board discusses the reports to the Storting and other major documents at a plenary meeting. The Auditors General each holds one vote. Decisions made by the Board require support from at least three of the Auditors General. The current Chairman of the Board of Auditors General (the “auditor general”) is Mr. Jørgen Kosmo. The Parliament decides the OAG’s budget and the OAG is financed by an annual grant in the governmental budget. In 2009, the budget was 423.6 million NKK.

The OAG’s tasks are to audit the central government accounts and the accounts for the various ministries and government agencies (financial auditing); to perform a systematic investigation of economy, efficiency and effectiveness (performance auditing); to monitor the management of the state’s proprietary interests in companies etc. (corporate control); to provide guidance for the government administration on issues concerning accounts and economy, including promoting the prevention of future defects and deficiencies; to report the results of the auditing and monitoring to the Parliament and the government administration.

The OAG does not audit the governmental specialised health care (the hospital enterprises and their boards). In 2002 the responsibility for specialised health care (hospitals) was transferred from the counties (and the municipal auditors audited these hospitals) to governmental health enterprises in a new law. The audit of these health enterprises was kept out of the OAG mandate because the accounting regulation of these enterprises was aligned with accounting laws regulating private companies. These rules required the health boards to hire private accounting firms as auditors.

#### **4.4.2. The OAG’s audits**

In the OAG, a collegium decides which audits to take on in the coming audit year. The decision is based on an annual risk assessment by every policy area (by ministerial departments), in which the risks are assessed in terms of economic and political materiality. The process is formalised and there is little room for individual input to the decision process. In addition, the Parliament in plenary may demand an audit, just as different actors may contact the OAG and recommend an audit. In 2004, the SCA amended a new law regulating the governmental audit. The new law was based on the report from a committee in 2002 (*Frøiland-utvalget*), which emphasised materiality as a central criterion for deciding on what kind of audits are to be conducted.

As mentioned above, the OAG distinguishes between financial auditing, performance auditing and corporate control. In 2009, the OAG spent 67% of its audit resources on financial auditing, 28% on performance auditing and 5% on corporate control. The split between the different types of audits has been relatively stable over the last 10 years. The OAG's audits are conducted in accordance with its own auditing standards, which is in compliance with the ISSAI. The OAG's standards have small deviations, mainly in financial audit<sup>16</sup>, to make them more legitimate in the local context.

The OAG submits the results of its financial audit and corporate control annually in *Document 1*. The OAG produces around 10 to 20 performance reports a year, and the results of these are submitted in the *Document 3-series*. The results of each audit are submitted to the Parliament as an individual report upon approval by the Board of Auditors General. In the audit reports the ministries give their response to the findings. The AOG in turn comments on the response of the ministries. *Administrative Reports* are performance audits where the audit findings were less serious, and which will not be addressed by the Parliament. The Administrative Reports are sent to the Standing Committee on Scrutiny and Constitutional Affairs and the relevant ministries for information purposes. Each year the OAG publishes a summary of activities in Document 2 which is its *Annual Report*. The report contains short summaries of Document 1 and the reports in the Document 3-series published that year, an overview of international activities during the preceding year, a summary of activities and personnel statistics.

Thus, the OAG upholds a clear distinction between financial and performance auditing, with the majority of resources spend on financial auditing and corporate control. In the interviews there are indications that the lines between financial and performance audits have become somewhat blurred, but the reports as well as the internal organisation of the OAG (see section 4.4.4.) uphold a division between financial and performance audit.

#### **4.4.3. The OAG's competences and identity**

In 2007, the OAG employed 400 people with backgrounds mainly in the social sciences and law-studies. Over the past decades there has been an increase in the percentage of employees with a university degree of more than 4 years, by 2007 this group constituted 54% of the employees,

---

<sup>16</sup> Norway has a cash based governmental accounting system, but the governmental agencies are allowed to report according to a modified accrual based accounting system which has been developed in the later years.

whereas 23% had shorter university degrees. Employees with a financial audit education of 3 years constituted 17%. Thus, 94% of the OAG's employees had an academic degree in 2007. There is no State Auditor certification as such, although the question has been discussed for the last ten years. The OAG's recruitment is based on a separation between financial auditing and performance auditing, with financial auditing being dominant in terms of resources spent and number of auditors employed.

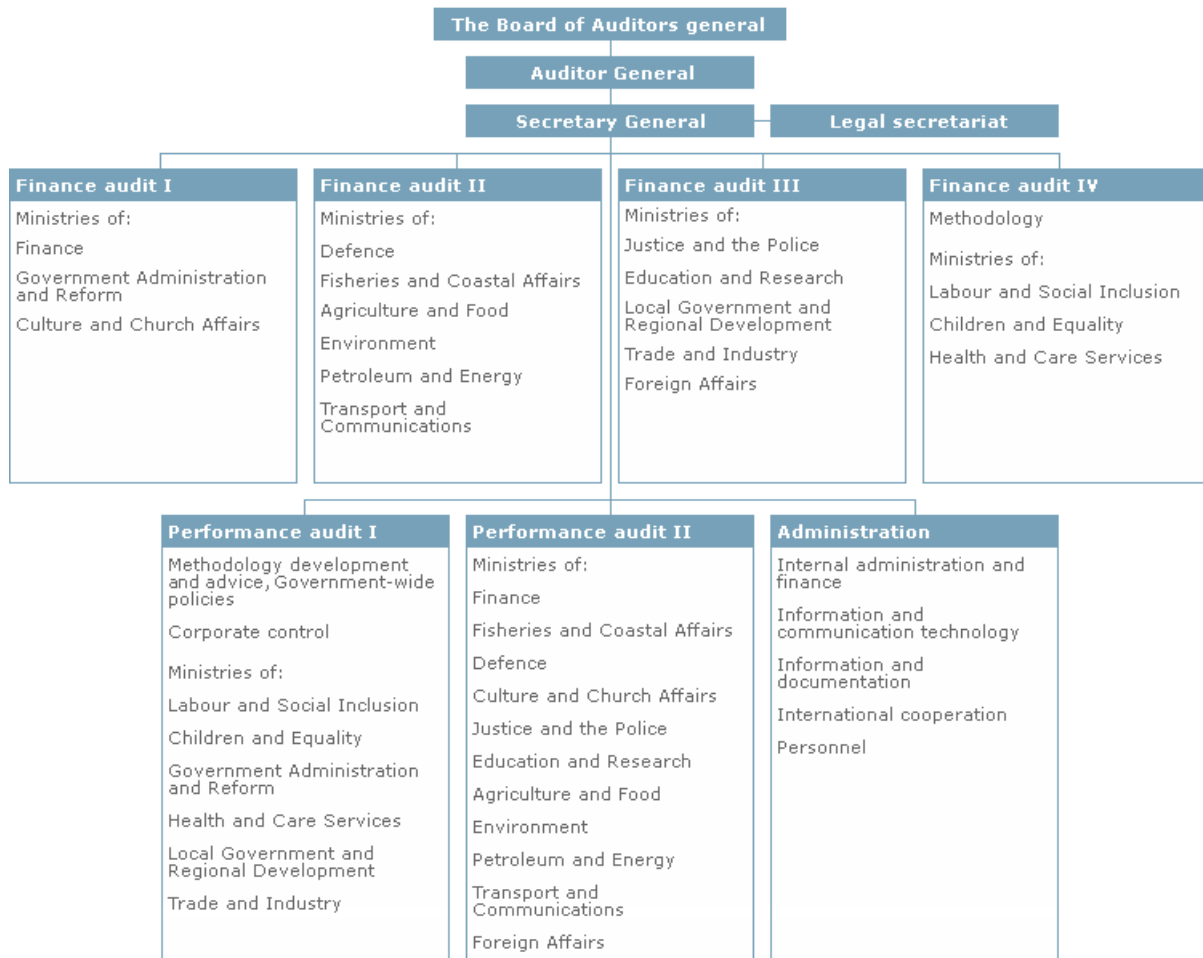
The Norwegian Auditor General feels that the politicians are sometimes forcing some competition with the private audit firms on the OAG by allowing privately owned limited companies to operate in the public sector: "The Norwegian oil and gas resources are managed by a company called Petoro, which is audited by the OAG, but Petoro do not operate [the oil fields], this is done by Statoil [a listed company]. They couldn't bear that all their audit reports became public, so Statoil has a private audit firm" (Auditor General, interview).

As such, the identity appears to be split between financial auditing and performance auditing as in Sweden, with no indications of a hybrid identity emerging.

#### **4.4.4. The OAG's organizational structure**

The work of the OAG has been reorganised several times since 1996. In 1996 more attention was paid to performance audit. In 2002 the OAG organised the performance audit in two departments in order to utilise competence by specialisation. Today, the OAG is functionally organised in one administrative, four financial audit and two performance audit departments according to Figure 5. Each of the departments are responsible for a certain number of ministries and their field of responsibility, however there appears to be little overlap between the areas audited by the financial and performance audit departments. The functional organisation aims at utilising different disciplinary and professional backgrounds in order for the OAG to be able to specialise between financial and performance audits, and to some degree between the different ministries.

Figure 5: The organization of The Norwegian Office of the Auditor General (OAG) (as of May 2010):



Source: The Norwegian Office of the Auditor General.

In summary, the AOG is functionally organized with some elements of specialisation by governmental sector, but the organizational form is not integrated into a matrix organization. Consequently, as in the cases of Denmark, Sweden and Finland, the organisational structure does not support the emergence of hybridized knowledge.

## 5. Discussion and conclusion

Although professions often transcend political, geographical and organizational boundaries, a comparative study like this shows that constitutional requirements and local traditions affect the way the Nordic Audit Offices orientate in the strategic crossroad of performance auditing, financial auditing, and compliance auditing.

In Denmark, the NAOD decides how to audit without interference from the PAC, but the audits have to comply with the ISSAI and the NAOD's own standard on "good public sector audit practice". The NAOD now distinguishes between two different types of work, Annual Audits and Major Studies. Annual audits are primarily financial audits, but include significant elements of compliance auditing and performance auditing. They are based on the Business Risk Audit concept and thus pay specific attention to the client's strategic risk management system. Major studies, on the other hand, consists primarily of performance auditing, but includes significant elements of compliance auditing and financial auditing. The NAOD is matrix organised, functionally according to the two types of work, and market based according to its clients. However, within the matrix there seems to be little interaction between the functional offices doing major studies and annual audits. The functional divide is also manifest in the competences of the employees of these offices; in the offices specialised in major studies the employees typically have degrees in social science such as economics and political science, whereas the annual audit offices typically has employees with accounting degrees. In the latter category very few are qualified as either state authorised auditors or registered auditors (the two private sector auditor qualifications), or as certified public sector auditors.

In Sweden, the SNAO distinguishes between annual financial audits and performance audits and both types may comprise of elements of compliance auditing. They are free to choose and develop their own audit methods without political interference, but generally feel a great need to legitimize their work to the public in general. The SNAO comply with the ISSAI, however they feel that the performance audit standard needs to be supplemented by internally developed guidance. The adoption of the ISSAI has not led the SNAO to adopt a Business Risk Audit approach to its financial audits. Compliance audits are integrated into the financial audits and the performance audits. The SNAO is matrix organized in a way similar to the Danish NAO, and the organizational design supports the interaction between financial audit and performance audit since they belong to the same organizational unit. However, the two functions (performance audit and financial audit) are staffed with auditors with different competences, employees in financial auditing departments mainly have business administration (accounting) degrees, while performance

auditors have degrees from the social sciences, primarily political science and economics. That is, although the organizational design supports the hybridization strategic approach in both Denmark and Sweden, the staffing strategy points to a more competitive approach in which the debate of the characterization of auditing is at the core of the construction of a professional identity.

In Finland, the work of the FNAO consists of two types of audits, financial audit and performance audit, both containing elements of compliance auditing. The FNAO widely uses the ISSAI, supplemented with own standards, in particular when it comes to performance auditing. The FNAO is free to develop its own audit methods without interference, but like the SNAO it emphasizes the need to maintain legitimacy towards society. In doing so, the FNAO has developed two audit products, which integrate financial auditing and performance auditing. Generally, the competences of the two functional groups of auditors are different. Where financial auditors typically have an accounting background, the FNAO is systematically recruiting researchers and PhD's for performance auditing. In terms of professional identity, the FNAO consider itself as belonging to two different professions, i.e. financial auditing and performance auditing. It is organized accordingly in two functional departments with a number of sub-departments based on the organizations they audit.

In Norway, the OAG distinguishes between three types of audit; financial audit, performance audit and corporate control. The OAG is free to choose its own audit methods, but the Board of the Auditor General and its chairman are representatives of the political parties. The OAG works according to its own standards, but these match or are adapted to the ISSAI, with small deviations for financial auditing. Generally financial auditing and corporate control appears to play a more prominent role in Norway than in the other Nordic NAOs, but the OAG is nevertheless staffed with a majority of social science university graduates and only relatively few accounting graduates. The prominence of financial auditing in the Norwegian OAG is also visible in the organizational structure, which is functionally organized in four departments doing financial audits and two departments doing performance audits.

It appears from the cases that financial auditing, compliance auditing and performance auditing are ideal types of auditing, which in practice are integrated, although to a varying degree. All countries integrate compliance auditing into the other types of auditing, while some countries go further and also integrate financial auditing and performance auditing. However, the integration of the three types of auditing in practice is hardly enough to talk about the emergence of a hybridized type of audit yet. Even the countries which have developed integrated audit approaches the most, Denmark and Finland, still think of performance auditing and financial auditing as a dichotomy, and this has consequences for the structure and culture of the Nordic SAIs. In terms of structural distinction, all the Nordic SAIs are organized functionally in departments specialized in either performance audit or financial audit, which do not indicate or support the development of hybridized expertise. However, some NAOs are also sub-organized in offices according to the organizations they audit, thus in effect approaching a matrix type of organization. A matrix organization is better suited to support the development of hybridized expertise, since it allows cooperation of performance and financial auditors on the audit of the same organization. In practice, there nevertheless appears to be little interaction between performance audit departments and financial audit departments. In terms of cultural distinction, the differences are more visible. In Denmark, the NAOD attempts to create a professional identity, which is different from the private sector financial auditors. To do so, they have created their own public sector auditor qualification. Finland appears to be equally aware of the differences and consider itself as belonging to two different professions. The Fins have also developed a public sector auditor qualification, but this is mainly used by municipality auditors. Sweden and Norway, on the other hand, does not appear to be conscious about the need for a distinct professional identity. Although there is competition between private and public sector auditors in some states regarding municipality audits, the Auditor Generals do not experience much direct competition from the private audit firms regarding the state audit. However, they all appear to be much focused on maintaining the political legitimacy of the NAOs, one of them stating that they compete with private audit firms and consultancy firms for political attention. None of the interviewed Auditor Generals or other employees of the National Audit Offices explicitly mention professionalization as a potential strategy to achieve this legitimacy.

To conclude, the study of the Nordic SAIs shows that the strategic question at the moment is not a case of either differentiation or hybridization of the SAI's body of knowledge as suggested by the sociology of professions. In practice, the Nordic SAIs have all chosen a portfolio strategy (Pollitt, 2003), where they do a combination of financial auditing, performance auditing, and compliance auditing and is organized functionally according to this work. As discussed in the theoretical section, this strategy inevitably leads to the lack of distinction in the knowledge base unless the three types of auditing hybridize. However, we find only limited evidence that such hybridization is taking place in our research. In practice the Nordic SAIs seem to treat performance auditing and financial auditing as entirely different types of work, while referring to performance auditing as their distinct competence on which they base their identity and claim for professional status. This is paradoxical because in practice the Nordic SAIs spend the majority of their resources doing financial audits. The lack of correspondence between the claimed jurisdiction and the work actually done could prove problematic for the protection of the state auditing jurisdiction in the long run. Likewise, it is also problematic for the long-term protection of the jurisdiction that an ambiguous knowledge base makes the development of an educational program with a corresponding qualification difficult. Thus, in the longer perspective the choice between differentiation and hybridization still exists for SAIs, who are not prepared to subordinate themselves to the private audit profession.

## References

- Abbott, A. (1988), *The System of Professions* (Chicago, University of Chicago Press).
- American Accounting Association (1973), *A Statement of Basic Auditing Concepts* (Sarasota Fl., American Accounting Association).
- Andersen, J.L. (2000), "Governance as part of performance audit examinations", *EUROSAI Magazine*, No. 7, pp. 37-40.
- Andersen, J.L. (2004), "New guideline for performance audits from the National Audit Office of Denmark", *EUROSAI Magazine*, No. 10, pp. 33-36.
- Annisette, M. & Kirkham, L.M. (2007), 'The advantages of separateness explaining the unusual profession-university link in English Chartered Accountancy', *Critical Perspectives on Accounting*, 18, pp. 1-30.
- Arena, M. & Jeppesen, K.K. (2010), 'Internal auditings' jurisdiction and the quest for professionalization: The Danish case', *International Journal of Auditing*, Vol. 14, pp. 111-129.
- Blegvad, K. (2007), 'INTOSAI's New Professional Standards Framework', *International Journal of Government Auditing*, October, pp. 11-14.
- Blomgren, M. (2003), 'Ordering a profession: Swedish nurses encounter New Public Management reforms', *Financial Accountability & Management*, Vol. 19, No. 1, pp. 45-71.
- Brunsson, N. & Jacobsson, B. (eds.) (2000), *A World of Standards* (Oxford, Oxford University Press).
- Caramanis, C. (1999), 'International accounting firms versus indigenous auditors: intra-professional conflict in the Greek auditing profession, 1990-1993', *Critical Perspectives on Accounting*, Vol. 10, pp. 153-196.
- Covaleski, M.A., Dirsmith, M.W. & Rittenberg, L. (2003) 'Jurisdictional disputes over professional work: the Institutionalization of the Global Knowledge Expert', *Accounting, Organizations and Society*, Vol. 28, No. 4, pp: 323-355.
- Edwards, J.R., Anderson, M. & Chandler, R.A. (2007) 'Claiming a jurisdiction for the 'Public Accountant' in England prior to organisational fusion', *Accounting, Organizations & Society*, Vol. 32, pp: 65-104.
- Elm-Larsen, R. (2001), *Offentligt regnskab og revision* (Copenhagen: Forlaget Thomson).
- English, L. (2003), 'Emasculating public accountability in the name of competition: transformation of state audit in Victoria', *Critical Perspectives on Accounting*, Vol. 14, pp. 51-76.
- Evans, L. & Honold, K. (2007), 'The Division of Expert Labour on the European Audit Market: The Case of Germany', *Critical Perspectives on Accounting*, 18, pp. 61-88.

Finish National Audit Office (2009), *Annual Report 2009*, accessed May 2011 at [http://www.vtv.fi/files/2342/VTV\\_Tilinpaatos\\_vuodelta\\_2009\\_englanti\\_NETTI.pdf](http://www.vtv.fi/files/2342/VTV_Tilinpaatos_vuodelta_2009_englanti_NETTI.pdf)

Hamburger, P. (1989), 'Efficiency Auditing by the Australian Audit Office: Reform and Reaction under Three Auditors-General', *Accounting, Auditing & Accountability Journal*, Vol. 2, No. 3, pp. 3-21.

Hood, C. (1995), 'The New Public Management in the 1980s: Variations on a Theme', *Accounting, Organisations & Society*, Vol. 20, No. 2/3, pp. 93-109.

Hood, C. & G. Peters (2004), 'The Middle Aging of New Public Management: Into the Age of Paradox?', *Journal of Public Administration Research and Theory*, Vol. 14, No. 3, pp.267-282.

Jacobs, K. (2005), 'Hybridisation or polarisation: Doctors and accounting in the UK, Germany and Italy', *Financial Accountability & Management*, Vol. 21 No. 2, pp. 135-161.

Jeppesen, K.K. (2010), Jurisdictional Competition Between Private and Public Sector Auditors: The Case of the Danish Certified Public Sector Auditor Qualification (November 30, 2010). Available at SSRN: <http://ssrn.com/abstract=1717648>

Johnsen, Å., P. Meklin, L. Oulasvirta & J. Vakkuri (2004), 'Governance structures and contracting out municipal auditing in Finland and Norway', *Financial Accountability & Management*, Vol. 20 No. 4, pp. 445-477.

Kjær, A. (1996), *Rigsrevisionen i Danmark og Sverige*, Projekt "Offentlig Sektor – Vilkår og Fremtid" (Copenhagen, Institut for Statskundskab Københavns Universitet).

Knechel, W.R. (2007), 'The business risk audit: Origins, obstacles and opportunities', *Accounting, Organizations and Society*, Vol. 32, No. 4/5, pp. 383-408.

Kurunmäki, L. (2004), 'A hybrid profession – the acquisition of management accounting expertise by medical professionals', *Accounting, Organizations and Society*, vol. 29, pp. 327-347.

Kurunmäki, L. & Miller, P. (2006), 'Modernising government: The calculating self, hybridisation and performance measurement', *Financial Accountability & Management*, Vol. 22, No. 1, pp. 87-106.

Lapsley, I. & C.K.M. Pong (2000), 'Modernization versus problematization: value-for-money audit in public services', *The European Accounting Review*, Vol. 9, No. 4, pp. 541-567.

Lindeberg, T. (2007), 'The ambiguous identity of auditing', *Financial Accountability & Management*, Vol. 23, No. 3, pp.337-350.

Miller, P., Kurunmäki, L. & O'Leary, T. (2008), 'Accounting, hybrids and the management of risk', *Accounting, Organizations and Society*, vol. 33, pp. 942-967.

Norgren, C. (2010), 'The World Needs International Audit Standards', *International Journal of Government Auditing*, January, pp. 1-3.

Olsen, H.P. (2006), 'Changing Institutional Boundaries: The Global Standardization of Government Auditing', in R. B. Riedl, S. Aksartova and K. Mitchell (eds.), *Bridging Disciplines, Spanning the*

*World. Approaches to Identities, Institutions, and Inequalities* (Princeton, Princeton Institute for International and Regional Studies).

Pallot, J. (2003), 'A wider accountability? The Audit Office and New Zealand's bureaucratic revolution', *Critical Perspectives on Accounting*, Vol.14, No. 1-2, pp. 133-155.

Percy, I. (2001), "The best value agenda for auditing", *Financial Accountability & Management*, vol. 17, no. 4, pp. 351-361.

Pollitt, C. (2003), 'Performance Audit in Western Europe: Trends and Choices', *Critical Perspectives on Accounting*, Vol. 14, pp. 157-170.

Pollitt, C. & H. Summa (1997), 'Trajectories of Reform: Public Management in Four Countries', *Public Money & Management*, January-March, pp. 7-18.

Pollitt, C. & H. Summa (1999) 'Performance Audit and Public Management Reform', in Pollitt, C., X. Girre, J. Lonsdale, R. Mul, H. Summa. & M. Waerness (1999) *Performance or Compliance? Performance Audit and Public Management in Five Countries* (Oxford, Oxford University Press).

Power, M. (1997), *The Audit Society* (Oxford, Oxford University Press).

Rigsrevisionen (1998), *God offentlig revisionsskik* (Copenhagen, Rigsrevisionen). (The present version is available at <http://www.rigsrevisionen.dk/composite-652.htm>).

Rigsrevisionen (2006), *Peer review-rapport: Rigsrevisionen* (Copenhagen, Rigsrevisionen).

Rigsrevisionen (2007), *Rapport om indførelse af procesrevision i Rigsrevisionen* (Copenhagen, Rigsrevisionen).

Rigsrevisionen (2009a), *Rigsrevisionens virksomhed i 2008*, (Copenhagen, Rigsrevisionen).

Rigsrevisionen 2009b), *Rigsrevisionen Kundeundersøgelse*, (Copenhagen, Rigsrevisionen).

Rigsrevisionen (2010), *Rigsrevisionens virksomhed i 2009*, (Copenhagen, Rigsrevisionen).

Riksrevisionen (2010), *Riksrevisionens granskningsplan 2010*, Dnr 10-2010-0055, (Stockholm, Riksrevisionen). Riksrevisionen (2010). Riksrevisionens årsredovisning 2009. (Annual Report)

Riksrevisionen (2009). Riksrevisionens årsredovisning 2009. (Annual Report)

Riksrevisionen (2008). Riksrevisionens årsredovisning 2009. (Annual Report)

Riksrevisionen (2007). Riksrevisionens årsredovisning 2009. (Annual Report)

Riksrevisionen (2006). Riksrevisionens årsredovisning 2009. (Annual Report)

Riksrevisionen (2005). Riksrevisionens årsredovisning 2009. (Annual Report)

Riksrevisionsutredningen (2008). Uppföljning av Riksrevisionsreformen. Riksrevisionens styrelse, ledning och hanteringen av effektivitetsgranskningar. Utredningar från riksdagsförvaltningen 2008/09:URF1.

Riksrevisionsutredningen (2009). Uppföljning av Riksrevisionsreformen II - Effektivitetsrevisionen, den årliga revisionen och den internationella verksamheten. Utredningar från riksdagsförvaltningen 2008/09:URF3.

Scott, C. (2003), "Speaking Softly Without Big Sticks: Meta-Regulation and Public Sector Audit", *Law & Policy*, vol. 25, no. 3, pp. 203-219.

Shafer, W.E. & Gendron, Y. (2005), 'Analysis of a failed jurisdictional claim. The rhetoric and politics surrounding the AICPA global credential project', *Accounting, Auditing & Accountability Journal*, Vol. 18, No. 4, pp: 453-491.

Vakkuri, J., P. Meklin & L. Oulasvirta (2006), 'Emergence of Markets – Institutional Change of Municipal Auditing in Finland', *Nordiske Organisasjonsstudier*, Vol. 8, No. 1, pp. 31-56.

Walker, S.P. (2004), 'Conflict, collaboration, fuzzy jurisdictions and partial settlements. Accountants, lawyers and insolvency practice during the late 19<sup>th</sup> century', *Accounting and Business Research*, Vol. 34, No. 3, pp: 247-265.

Økonomistyrelsen (2007), *Vejledning om risikostyring i staten*. Downloaded February 2010 from <http://www.oav.dk/sw1112.asp>.

Ånerud, K. (2004), 'Developing International Auditing Standards: Corporation between INTOSAI and the International Federation of Accountants', *International Journal of Government Auditing*, October, pp. 20-24.

Ånerud, K. (2007), 'Harmonization of Financial Auditing Standards in the Public and Private Sectors – What Are the Differences?', *International Journal of Government Auditing*, October, pp. 17-21