

ORIGINAL ARTICLE

Public sector audit history in Britain and Australia

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Abstract

The introduction of an independent public sector audit function was a critical element in the nineteenth century constitutional reforms of parliamentary and government accountability and created an essential precedent for current practice. By examining the extent of scholarly research on public sector audit history, findings reveal considerable research examined the teleological development of public sector audit and the modern history in a New Public Management context. However, there has been very little published regarding the complex rationales around the origins, development and importance of independent public sector audit notwithstanding that without an appreciation of these precedents it becomes very difficult to protect the Westminster-based system of democratic government.

KEYWORDS

audit, auditor-general, Australia, history, Imperial Britain, independence, public sector

1 | INTRODUCTION

This paper argues that more scholarly attention needs to be given to examining the constitutional place of auditor-general independence that developed in Britain during the nineteenth century and which is critical to modern day parliamentary sovereignty. The Westminster-based system of democratic government, relying on a combination of written constitutions and precedent, recognises an independent auditor-general as fundamental to government accountability. Indeed, the independent auditing of the expenditure of public funds is an essential part of constitutional safeguards (Funnell, Cooper, & Lee, 2012; Normanton, 1966). The development trajectory is also important in relation to understanding and protecting part-written constitutions such as that of Australia (Gilchrist & Coulson, 2015). Further, this history is important for educators and policymakers in terms of current public sector audit practice. Without an appreciation of the conditions by which governments function (including precedents relating to the purpose, powers and functioning of public sector auditors), and how they were arrived at, it becomes difficult to protect important controls in constitutional arrangements (Finn, 1987; Pilcher, Gilchrist, Singh, & Singh, 2013).

Yet given that the topic of public sector audit, sometimes called state audit, history holds so much precedent for today's practice, it is perhaps surprising that it has received significantly less attention than the related topic of accounting history – an area that has long been a source of interest to scholars.

The origins and practices informing audit independence in the private sector have been the foci of considerable research (see, e.g. Baker, 2014; Chandler et al., 1993; Green, 2006; Lavin, 1976; Lee & Ali, 2008; Stevenson, 2002), but Lee and Ali (2008) are the only authors in this group who referred to independence in public sector audit. The primary concern in this paper, however, is the constitutional significance of auditor-general independence to our present state of government accountability, and its contribution lies in identifying the lack of research and knowledge regarding its origins and recommending this as an area for future research.

To that end, this paper undertakes a document analysis examining the literature relating to public sector audit history, predominantly in Britain and Australia,¹ and demonstrates that it can generally be grouped into one of three thematic areas: (1) Gap Identification and Rationalisation – identifying the general under-representation of public sector audit history and arguing the value of such research; (2) Auditor-General Independence – The Teleological Description – exploring the increasing parliamentary (and public) demands in Britain and Australia for stronger controls over government expenditure of public monies throughout the seventeenth, eighteenth and nineteenth centuries. However, this body of work generally takes a teleological approach by tracing technical and legislative changes affecting public sector audit practice rather than analysing the constitutional importance of implementing auditor-general independence from executive government; and (3) Modern Contextual Analysis – examining various tensions in the relationship between public sector audit and executive government, particularly in regards to questions of auditor-general independence and government accountability. The majority of this research focusses on contemporary aspects arising from the New Public Management (NPM) reforms to public sector administration in the 1990s. It identifies the need for similar examination of the tensions around the original separation of public sector audit from executive government in the nineteenth century.

2 | THEME I: GAP IDENTIFICATION AND RATIONALISATION

The value of studying accounting history is well-understood as providing a potentially rich resource of learned experience that may increase the chance of avoiding past errors (Dean & Clarke, 2012). Carnegie and Napier (1996, p. 8) acknowledged that ‘accounting history is worthy of study because it puts accounting today into perspective, and may well allow us to draw on the data bank of the past to provide solutions to the problems of the present’. According to Robertson (2010, pp. 19–20), the study of comparative history is powerful in increasing the understanding of current ideas and processes, and in assessing ‘concepts of “success” or “failure”’.

Yet the general lack of scholarly attention paid to the history of public sector accounting (a sub-set of accounting history) has long been identified by researchers. Funnell (2007, p. 266) suggested the lack of research interest in public sector accounting is possibly due to the domination of private sector accounting in ‘the graduate and post graduate accounting education of most accounting historians’. Carnegie and Napier (1996) noted that accounting historians had traditionally focussed on private sector investigations and, more than a decade later, Funnell (2007, p. 268) found there was still ‘little evidence of any substantive interest...in the history of accounting and accountability in government’. In his paper, Funnell (2007) analysed the annual surveys published by the Accounting, Business & Financial History between 1995 and 2004 and found that, of 1,384 papers identified as being concerned with some aspect of accounting history, the average proportion of those focussing on some aspect of public sector accounting history was just 3.9% of the total – and that ‘even this very meagre effort contains papers which are more about contemporary public sector accounting practice than they are historical’. Moussalli (2008) noted a similar scarcity of scholarly descriptive work in the area of American government accounting. More recently, Bisman (2012, p. 16) analysed almost 190 articles and themes published in the journal *Accounting History* between 1996 and 2010 and found ‘a continuing shortage of studies of financial accounting and auditing set in the public sector’ despite ‘substantial relative growth’ in the second half of that period (Bisman, 2012, p. 11). Sargiacomo and Gomes (2011) also noted the favouring by accounting historians of private sector investigations over public sector. Their analysis of published historical research on accounting and accountability in local government and related public organisations highlighted a ‘need for rigorous and robust research on the development of systems of accounting and accountability in LG [local government] around the globe’ (Sargiacomo & Gomes, 2011, p. 272).

In the private sector, audit history is also generally under-represented as a subset of general histories on accounting (Matthews, 2006). Fleischman and Radcliffe (2005) examined the proliferation of accounting history research that occurred in the 1990s and provided an appendix in which they identified almost seventy major research projects published during that decade. Yet, only two of those seventy projects referred to audit history (the respective topics being British auditing history and governmental auditing). Matthews (2006) also identified just two works on audit history – Power (1992), who focussed on the history of audit sampling; and Chandler et al. (1993), who examined the changing purpose of audit. This paper identifies only three more relatively recent articles: Green (2006), who traced nineteenth-century development of the auditor's role in Canada; Lee and Md. Ali (2008), who studied the technical evolution of auditing in the nineteenth and twentieth centuries; and Baker (2014), who analysed and compared the development of the auditing profession in the UK and France.

It should therefore come as no surprise that there is very little scholarly research specifically on the history of public sector audit, despite its connection to constitutional and political power. As early as 1991, English and Guthrie (1991, p. 347) found that much of what does exist 'is limited in focus to professional and technical aspects of audit, with discussion tending to treat public sector audit in isolation from the socio-political context in which it operates'. Funnell (2007, p. 266) specifically called for more research 'because of the consequential importance of government, the constitutional imperative that government be financially accountable and the wealth of government material that is freely available to accounting historians'. Sargiacomo and Gomes (2011, p. 253) and Gomes and Sargiacomo (2013, p. 439) also called attention to the existence of 'vast archives' of public records. Modern Westminster-based democracies (including Britain, Australia, New Zealand and Canada) have public sector audit functions based on those established in Britain during the seventeenth, eighteenth and nineteenth centuries (Baker & Rennie, 2013; Colquhoun, 2011; Di Francesco, 1999; Funnell, 1994a and 1994b; Funnell et al., 2012). This recognition is somewhat complicated by the observation that the final maturation of the Westminster parliamentary system of Imperial Britain occurred concomitantly with the development of various colonial constitutional arrangements rather than before them (Gilchrist & Coulson, 2015). Regardless, it is recognised that 'Public sector audit of the modern era arose, and exists... to enhance constitutional safeguards against Executive threats to individuals and their liberty in a democratic state' (Funnell et al., 2012, p. 362).

The association of public sector audit and the constitutional imperative for government to be financially accountable was previously highlighted in the mid-twentieth century by Normanton (1966, p. vii), who understood an independent auditor-general to function as a fundamental cornerstone of government accountability and asked: 'Without audit, no accountability; without accountability no control; and if there is no control, where is the seat of power?' (Funnell, 2007, p. 276) offered this further elaboration of the argument:

Fundamental to the distribution of power within government is the location of financial control. Indeed, contests between the executive and the legislature over control of, and accountability for, finances have been the defining feature of the evolution of the English Constitution. The 'power of the purse' was parliament's main weapon by which it was able, over many centuries, finally to wrest power from the Crown.

It is the analytical connection of public sector audit history with non-accounting history fields (including constitutional, political and parliamentary histories) that enable the historical context of key institutional infrastructures to be understood. The next section of this paper reviews the literature of historians in these other fields. Although concentrating here on British and Australian histories, the findings are important and can be adapted to all Anglophone countries. Making such connections and increasing understanding is essential for the ongoing protection of British and Australian constitutional safeguards. As Justice Spigelman (2007, p. 60) warned, 'indifference' can result in the context of such infrastructures 'being undermined and rendered less effective over time'. The operation of precedent is fundamental to the constitutional and practical operation of many governments' accountability and transparency processes in the post-Imperial world. Finn (1987) highlighted the difficulties that can arise in trying to protect important controls in constitutional arrangements (including precedents relating to the purpose, powers and functioning of public sector auditors) when there is only a limited appreciation of how and why they were obtained. Further, Gilchrist (2010) and Gilchrist and Coulson (2015) identified that pragmatism particularly drives political thought in

young countries like Australia, making constitutional protection even more important. Yet, despite these strong arguments for the necessity of understanding the constitutional history of public sector audit, the available research is limited.

3 | THEME II: AUDITOR-GENERAL INDEPENDENCE – THE TELEOLOGICAL DESCRIPTION

This section considers the various Whiggish histories describing the development of parliamentary sovereignty which largely consist of a teleology tracing the increasingly effective parliamentary efforts to gain greater control over public expenditure and to minimise misappropriation. These histories predominantly include those examining parliamentary, constitutional and public sector administrative developments, although some accounting and audit histories are also identified. The development of audit independence in private sector, local government and general economic histories is not considered here, primarily because they are not as constitutionally or politically focussed. Rather, it is the parliamentary, constitutional and administrative histories that reveal how the examination and audit of expenditure decisions and records has been used throughout the centuries to establish political power, forcing actors to react to maintain and increase their control. In this context, the history of public sector audit is also political history – the story of power.

As mentioned earlier, without the understanding of these historical precedents by which our contemporary government functions, and how they were obtained, there is a risk that the inherent protections will be lost. Yet the scholarly literature on this aspect of public audit history is sparse. Although the literature does focus on public sector audit and auditor-general independence prior to the mid-twentieth century, it is generally not comprehensive in its coverage of the topic and does not usually inquire into the complex socio-political demands driving the various reforms affecting auditor-general independence (the reasons 'why'). Instead, the literature in this category tends to focus on the historical development of audit prior to the mid twentieth century, usually the nineteenth century, in the much more general context of legislative progress and technical auditing advancements (the 'how'). The constitutional place of public sector financial management, including the various forms of auditing controls, is usually only mentioned in passing despite its acknowledged importance for effective governance. The methodological approach is also usually teleological, fitting the description of the 'traditional' accounting history paradigm as 'essentially atheoretical and descriptive narratives' (Bisman, 2012, p. 9).

Carnegie and Napier (1996) were able to identify only one such article on public sector audit being Funnell (1994b), who argued that the nineteenth-century implementation of the then 'new' concept of auditor-general independence was not truly effective and was even perhaps introduced as a self-serving mechanism by the executive itself (see also Normanton (1966, p. 372), who identified the system as 'audit on behalf of the legislature and the executive, under the detailed direction of the latter'). Funnell has since published further on public sector audit history, particularly relating to Britain and Australia. In particular, Funnell (2007) validated the constitutional place of public sector audit and the need for further historical study of the topic, as noted earlier. The importance of the passage of the *Imperial Exchequer and Audit Departments Act 1866* as a milestone in ensuring an independent auditor-general was the focus of another significant paper (Funnell, 1996b). Funnell has also examined various nineteenth-century socio-political influences that strongly affected public sector audit reforms in Britain, including, in order of publishing, excesses in British military expenditure in the 1830s (Funnell, 1997b), the political demands for economy in public expenditure (Funnell, 2004), and the impact of the financial and political strains placed upon Britain by the American War of Independence (Funnell, 2008).

In the Australian colonial context, Di Francesco (1999, p. 43) traced the nineteenth century development of public sector audit independence in each of the six British colonies in Australia, finding that they each followed their 'own trajectory of independence, rather than emerging as a carbon copy of the British model'. This is an especially important aspect given the contemporaneous development of the 'Mother Parliament' with those of the settler colonies (Gilchrist & Coulson, 2015).

Histories of local government accounting and auditing practice in New Zealand, including some reference to concepts of auditor independence, were prepared by Colquhoun (2004, 2013). Dunn (2004) examined the meaning of government accountability in two Canadian jurisdictions via an examination of the political administrative history – particularly the evolution of independence in the public sector audit function in an era marked by government hostility to such extensions of audit powers. Finally, a very brief summary of the difficulties faced by seventeenth- and eighteenth-century public sector auditors in the young American colonies is also available in Dewar (1990). However, the concept of independence from executive government is referred to only in the context of ethical dilemmas regarding the collection of public revenue.

Apart from the few references cited above, those interested in the constitutional relevance of public sector audit history must turn to the broader categories of parliamentary, constitutional and public sector administrative histories. Parliamentary histories confirm the Westminster tradition of establishing parliamentary public accounts committees and estimates committees as the overseers of executive government expenditure. While the constitutional role of these committees as a check on government expenditure is frequently discussed, perhaps not surprisingly, there is usually little discussion on their relationships with auditors-general. Exceptions would be Butt (1969), Chubb (1952) and Tribe (1954), whose overviews of the origins of parliamentary control over public expenditure clearly demonstrated that independent audit and executive government accountability were fundamental to that political control. These three histories, along with the work of Normanton (1966) (specifically Normanton's analysis of relationships between state audit, the constitution and financial controls), are perhaps the most useful studies to begin with for those seeking to make connections between public sector audit history and its significance in ensuring government accountability today.

British constitutional histories (such as Keir, 1938 and Maitland, 1911) also discuss the parliamentary control of executive government's expenditure. Nevertheless, references to the significance of auditor-general independence as part of that parliamentary control are not extensive, although at least acknowledged. The focus in these histories is generally on the administrative processes of taxation, appropriations, estimates and the overall management of government accounting.

Public sector administrative histories provide important details regarding the operations of departments of state but seemingly little related to public sector audit. The most comprehensive of such histories are provided by Gladden (1972) and Chester (1981) who provide thorough studies of public administration and financial management in Britain from medieval times. The Imperial Treasury department was arguably the most powerful entity in nineteenth-century Britain's public administration and research into its role has been substantial (e.g. see Bridges, 1966; Clark, 1960; Macpherson, 2013; Wright, 1969). Although discussion relating to the specific administrative relationship of audit and Treasury was published early in the twentieth century (Robinson, 1924), the transformation of public sector audit from an administrative Treasury function on behalf of executive government to that of an independent, constitutionally fundamental part of parliamentary control of the public purse is generally considered only in terms of the technical issues arising from legislative changes. Further, in Imperial Britain, for example, the existence of multiple colonies and varying forms of colonial governments contributed considerably to the complexity of public sector audit purpose, foci and arrangements. Developing an understanding of this material is important for appreciating the context of public sector audit throughout the nineteenth century. However, while there are many valuable papers examining the operations of the British Colonial Office (e.g. Eddy, 1969; Weller & Cutt, 1976; Winch, 1965; Young, 1961), the financial management within, and of, Britain's colonies is generally accepted as a relatively uncomplicated administrative function of executive government.

There are few studies specifically examining the nineteenth-century aspects of government financial management in Australia. Bunn and Gilchrist (2013) studied public sector audit in colonial Western Australia, 1828–1835, finding that it matched Di Francesco's (1999, p. 44) description of providing 'a competent accounting function for the colonial administration' rather than 'a rigorous check on the propriety of the Governor's expenditure'. McMartin (1958a, 1958b, 1959 and 1983) and Lamb (1962) researched the operations of the government Treasury in colonial New South Wales, and a review of the economic role of the commissariat in colonial New South Wales was provided by Beckett (2012). Fletcher (1979) provided an overview of the administrative (including financial) reform implemented in New

South Wales under Governor Darling. Each of these works focus on the executive functions of financial management only, perhaps because the parliamentary institutions were very immature. Yule (2002) analysed the Victorian crisis in public finance 1853–1855, making an interesting connection between the role of the auditor-general and the events leading to the Eureka Rebellion in 1854.² Similarly, Waugh (1998) provided some case studies of attempts by early colonial governments (1860–1870) in New South Wales and Victoria to evade parliamentary control of their expenditure. There is also a small sub-category of existing literature forming what might be labelled official histories of a number of Australian offices of auditors-general. Such histories currently exist for five of the eight Australian jurisdictions, namely South Australia (Ralph, 1990); Queensland (Longhurst, 1995); the Australian National Audit Office (Wanna et al., 2001); Victoria (Yule, 2002); and Tasmania (Scripps, 2006). The history of the Canadian equivalent was researched by Sinclair (1979). The content of these histories, which have generally been commissioned by the relevant office to mark some commemorative milestone, tend to be a reasonably straightforward compilation of available historical records with particular emphasis on the personalities of the various auditors-general. Some do refer to the lack of independence as part of the accepted context of the times (Longhurst, 1995; Scripps, 2006; Yule, 2002), albeit briefly.

As noted earlier, there has been an obvious shift in the auditor-general's role from operating in the nineteenth century as tool of executive government to the modern conception of providing an independent cornerstone of parliamentary oversight and government accountability. The reasons for this shift are closely entwined with the construction of the very foundations of the modern parliamentary system in the nineteenth century. Although the research undertaken by the authors recognised above is valuable for tracing *how* nineteenth-century legislative changes over many decades affected public sector audit in Britain and Australia, many questions remain about *why* the complex rationales concerning the concept of auditor-general independence were introduced in the first place, and extensive examination has confirmed there is very little research specifically focussed on this aspect of constitutional history. There is much more work that could be undertaken to extend our understanding of the origins of auditor-general independence and provide precedent for ensuring government accountability is not weakened. Certainly there is ample archival material available for the interested scholar, especially in parliamentary papers (Funnell, 2007).

4 | THEME III: MODERN CONTEXTUAL ANALYSIS

Public sector audit today extends far beyond the traditional provision of financial assurance. This extension has its provenance in the broader, ubiquitous NPM reforms introduced initially in Europe (Hood, 1991, 1995) and extended to Australia, Great Britain, New Zealand and other OECD countries (Guthrie, 1998; Hood, 1991; Nagy, 2002). When public sector leaders aimed to reduce the gap between the public and private sectors' modes of operation – principally by favouring private sector modes of operation – NPM required viewing public accountability through a different lens (Pilcher, 2011). Glynn and Murphy (1996, p. 126) demonstrated that, in the UK, the reform process tended to emphasise 'managerial accountability at the expense of political accountability'. At the heart of these changes was the drive to apply private sector management concepts of efficiency and effectiveness to the public sector Westminster model of ministerial responsibility – notably with the devolution of responsibility for enacting policy from government ministers to public sector chief executive officers (for more see, e.g. English & Guthrie, 2000; Hood, 1995; Funnell et al., 2012; Jones & Jacobs, 2005; Pilcher, 2011). Accounting reform was, naturally, a key part of this drive, emphasising a focus on improved public sector efficiency and effectiveness, resulting, amongst other things, in the introduction between 1988 and 2000 of accrual accounting as a replacement to cash accounting in most developed countries.

The implementation of these NPM reforms generated a plethora of scholarly research and discussion, mainly focussing on contemporaneous commentary and research. For example, Potter (1999, 2002) provided critical analyses of rationales behind the formulation of new accounting regulations in the Australian public sector. Although the limited historical considerations of this aspect of public sector audit research rarely extend further back in time than the 1970s,³ literature reviews published in the 1990s and since 2000 on public sector audit indicate there was a growing interest not only in the technical implementation and effects of introducing accrual accounting, but also on the

socio-political context and transformative effects of extending the traditional auditor-general mandate of financial audit into areas of government efficiency and value for money (e.g. see Carnegie & West, 2005; English & Guthrie, 1991; Funnell, 2003; Parker & Guthrie, 1993; Pilcher, 2011). That extension was not straight-forward – Glynn (1989) noted it took a decade to clarify confusion over the 1979 legislative requirement for the Australian (Commonwealth) Auditor-General to implement efficiency audits. Constitutionally, debates focussed on the changing role of public sector audit in assisting Westminster-style democratic parliaments to maintain government accountability, the associated effect on the relationship between executive government and the office appointed to scrutinise and report on their actions (particularly around the resultant increased independence of auditors-general), and comparisons of the protective provisions for auditors-general in legislation across various jurisdictions.

The examination of issues surrounding auditor-general independence from executive government was central to relatively recent research focussed upon public sector audit and assurance activities. During the 1990s, these discussions tended to centre on what such independence really meant in practice (Barrett, 1996; Funnell, 1994a and 1994b; Parker & Guthrie, 1993; Stone, 1993), perhaps as a result of the poor governance practices endemic in Australia particularly during the 1980s (e.g. see Sykes, 1994) and also the previous two decades. Many of the calls for strengthening the powers and independence of auditors-general were made at very high levels by various parliamentary committee inquiries and even a Royal Commission (Kennedy, Wilson, & Brinsden, 1992). These calls were addressed in Australian jurisdictions by new and specific legislation. Comparisons of the various enabling legislative frameworks provided rich sources of data for researchers interested in issues of government accountability. For example, in the light of the Commonwealth Joint Committee on Public Accounts reports (1989, 1996), de Martinis and Clark (2003, p. 26) compared the enabling legislation of Australian auditors-general to highlight the extent to which the legislation provided 'the necessary platform for maintaining public sector accountability and supporting key requisites related to independence, mandate, and funding'. Coghill (2004, p. 15) studied the relationships of the relevant auditors-general with the Parliament of the Commonwealth of Australia and the Australian Capital Territory Legislative Assembly, finding that the office 'operates in a governance environment in which interconnectedness, interdependence and interaction are key factors affecting outcomes'. The Commissioner for Public Sector Standards (2006) identified and detailed the legislative mechanisms available to strengthen the independence of the six accountability officers of the Western Australian Parliament, including the auditor-general.⁴ Both Pearson (2009) and Robertson (2009, 2013) compared the legislative frameworks for auditors-general in each Australian jurisdiction and in New Zealand, finding that more could be done to safeguard their independence and protect auditors-general from undue executive government influence.

Comparisons across international jurisdictions were made by Kiraka, Clark, and De Martinis (2002) and Stevenson (2002). Both researchers found a considerable diversity of the provisions for auditor-general independence and called for their further strengthening. On a slightly different but important tangent, Bemelens-Videc (2003) reviewed the methods and standards by which international public audit institutions have judged the collaborative governmental arrangements in public services introduced as part of the NPM.

Globally, the International Organisation of Supreme Audit Institutions (INTOSAI) (1998, pp. 3–5) issued declarations on audit independence, specifying eight core principles generally recognised by SAIs as 'essential requirements of proper public sector auditing'. This practice-focussed emphasis on independence foreshadowed future scholarly agreement. Audit independence is now considered to be vital for all modern audit activities, regardless of the economic sector in which the auditee organisation operates (e.g. see Good, 2007; Wanna, 2006; Waugh, 1998).

Contemporary public sector auditing goes further than the traditional provision of assurance over financial reports. In regards to the issues above regarding government accountability, auditors-general traditionally do not comment on the policy decisions of executive government, reserving that role to the opposition formally and the electorate informally. However, because the public sector implements the executive's policy decisions, thereby operating as the administrative arm of the executive, the auditor-general inevitably also functions as a de-facto check on the activities of the government. Mulgan (2008, p. 355), who has written extensively on Australian public sector accountability and governance issues, noted that 'auditors-general have a proud record of confronting abuse of process when it comes to their notice', citing a report by the Australian National Audit Office (2007) on the administration of grants by a government department. McPhee (2008, p. 75) clearly viewed his reports to the Australian Parliament as part of those

checks, noting that almost three-quarters of the 44 performance audit reports he tabled in 2007–08 'had findings or recommendations with a corporate governance flavour'. McPhee (2008, p. 76) claimed that such checks on public sector governance are necessary as the Australian public sector 'has had some high profile failures in public administration over the years' because 'the governance arrangements in place have not been alert to the extent of the problem'.

The endurance of the auditor-general's role in helping to ensure accountable and open government and the impact of political actors has also been considered. Ramkumar (2009) examined the results of a survey of government budget transparency in 85 countries, and found that eighty per cent did not provide enough information to hold the government accountable and fifty per cent provided such minimal information they were able to hide unpopular, wasteful and corrupt spending. While a further and rich vein of examination relates to the inevitable tension between the executive and the auditor-general, limited work has been undertaken in this area. Where such tension has been examined, the research often focusses on specific events with the potential to reduce auditor-general power. One notable example in Australia would be the (ultimately unsuccessful) 1997 attempt of the then-Victorian Premier, Jeff Kennett, to effectively disband the Office of the Auditor-General and privatise the role. This policy decision was a major issue in the September 1999 Victorian state election and is now seen as a key factor in the Kennett government's defeat (for detailed analysis on this event and for other examples, see English, 2003; Funnell, 1996a and 1997a; Good, 2007; Nagy, 2002; Wanna, 2006).

In examining auditor-general independence specifically, Funnell (1994a, p. 24) noted that 'interpretations of audit independence have been the target of capture by powerful interest groups... There is no absolutist, apolitical meaning to independence. It is a socially constructed belief'. Funnell (1996a, p. 109) provided examples describing how the independence of the Australian auditor-general, in relation to the Commonwealth government of Australia was interpreted as substantive but proved to be conditional – enabling 'very extensive executive intrusions in public sector audit accepted largely as benign and untainted by political interests'.

In summary, the extension in the late twentieth century of auditor-general investigative powers beyond traditional financial accountability (into areas of government efficiency and effectiveness) generated some scholarly debate on the constitutional importance of the role, and resulted in legislative strengthening of auditor-general independence across the globe. It follows that the way is open for more detailed research to be conducted into the historical precedents for the original nineteenth century implementation of auditor-general independence.

5 | CONCLUDING REMARKS

Since the 1980s, it would seem almost axiomatic that accounting history is critically important to the appreciation and understanding of modern practice. In this paper, the extent of public sector auditing history, with a particular emphasis on auditor-general independence, has been assessed and examined. Findings determined that public sector auditing history can be traced via three essential discourses: (1) that of gap identification and rationalisation of the importance of public sector audit history (a grouping to which this paper belongs); (2) the teleology of auditor-general independence; and (3) modern contextual analysis.

There is wide-ranging research identifying the importance and need for public sector audit history examination. It has been highlighted that it is crucial for educators and policymakers to have an understanding of the history and precedent in order to properly inform and defend current public sector audit practice (Gilchrist & Coulson, 2015; Pilcher et al., 2013). Without such an appreciation, important controls in constitutional arrangements in Britain and Australia, as well as elsewhere in developed democratic countries, might appear instead as merely bureaucratic intrusions generating inefficiencies or ineffectiveness.

The research reported here determined that late twentieth-century tensions between public sector audit independence and executive government accountability (as a result of NPM reforms) generated discussion on the importance of the relationship between independent auditors-general and parliaments in governance systems (Coghill, 2004; Parker & Guthrie, 1993). However, the document analysis undertaken in this paper demonstrated that surprisingly little scholarly research has been conducted exploring the important nineteenth-century connection between increasing

parliamentary demands for stronger controls over government expenditure and the place of auditor-general independence. Such analyses of the topic as do exist tend instead to focus on the 'evolution' of public sector audit by tracing legislative changes and are useful for showing how the transition of the auditors-general role occurred, but not the complexity of the socio-political context explaining more fully the 'why'.

Having identified this gap, it is hoped that scholars will find this paper useful for helping to focus future research on this important area of interest, that is, the constitutional significance of the origins of auditor-general independence to the present state of government accountability.

ACKNOWLEDGEMENT

The authors would like to acknowledge the participants of the Accounting and Finance Association of Australia and New Zealand (AFAANZ) July 2014 conference. As well they acknowledge funding from the Public Sector Accountability and Disclosure Research Cluster that assisted in one member attending the AFAANZ conference.

NOTES

¹ Of course, independent auditors-general, or Supreme Audit Institutions, are today found throughout the world but space restrictions necessitate the focus here be limited to the systems and traditions of Westminster parliamentary democracy found in Britain and Australia. Some brief references are, however, made to research focussing on other jurisdictions including America, Canada and New Zealand.

² Yule (2002, p. 211) noted that in 1853 the Victorian Auditor-General introduced changes to the process of making government payments (the 'imprest system'). Unfortunately, in the administrative 'chaos' resulting from huge population increases from the gold rushes, implementing the new system was mismanaged and control over government expenditure virtually collapsed (Yule, 2002, p. 208). In efforts to redress the serious financial crisis of 1854 (a deficit of over two million pounds), the Victorian government increased its attempts to collect the unpopular gold licence fees. Yule (2002, p. 214) reasoned:

Both contemporary commentators and later historians agree that the most important cause of the Eureka rebellion was digger opposition to the licence fee, compounded by resentment at the methods used to collect it. There is clearly a direct line of causation from the financial chaos of 1853–54 to the Eureka Stockade as it was the perceived financial imperatives that led the government to follow its disastrous policies on the goldfields. It is hard to believe that [Governor] Hotham would have persisted with the collection of an unpopular tax to the point of provoking a rebellion if he had not believed that the alternative was financial collapse.

³ However, it was highlighted as early as 1966 that 'important new developments' were taking place in France, Germany, the United States and 'countries beyond the Iron Curtain' regarding audits of administrative efficiency and of state enterprises, and the use of 'State audit as an auxiliary of economic planning' (Normanton, 1966, p. xv). Despite this precedent, more than a decade later Normanton wrote that the reforms to the British public audit system he had called for had only been marginally instituted (Normanton, 1980). It was not until 1 January 1984, under the *National Audit Act 1983*, that the Comptroller General gained full independent status and the British Exchequer and Audit Department became the National Audit Office (National Audit Office, n.d.).

⁴ Gay (2013) provided a similar overview of parliamentary officers with a constitutional role in Britain.

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How to cite this article: Bunn M, Pilcher R, Gilchrist D. Public sector audit history in Britain and Australia. *Financial Acc Man*. 2017;00:1–13. <https://doi.org/10.1111/faam.12143>