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Competing Rationalities in ÔSpecialÕ Government Audits:

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Competing Rationalities in ÔSpecialÕ Government Audits:

The Case of NovAtel

Abstract

Government auditorsÕ mandates have been little explored in the accounting literature. This paper examines distinctive aspects of the public sector audit, by critically analyzing the use of audit mandates that allow politicians to specifically request that government auditors conduct special audit inquiries. Though comparatively little used, these provisions are now common in government auditing legislation. They provide an opportunity to study the consequences of auditors acting at the request of the executive

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branch of government, a practice that brings together the clearly political programmes of those in power, with the claimed professional and technical concerns of those charged with auditing. I use this confluence as an opportunity to examine the interactions between auditing and politics, using the idea of the "special report" as an opening to explore the dynamics influencing these relationships.

To make sense of relations between auditors and other constituencies, I use Weber's (1970) notions of formal and substantive rationalities. The whole idea of government auditing may be understood as a rather heroic attempt to apply formal rationality; in this paper, I argue that government auditors' mandates and work are a part of an attempt to develop accountability through means of the kind of deliberative, formal rationality that Weber saw as being at the heart of modernity (Sayer, 1991). I contrast the more formally rational concerns of the auditor with the substantive rationalities of those elected to office, and trace the interaction of political concerns audit inquiries.

The paper examines the relations between audit as an activity, the auditor as an institutional office, and the realm of politics. In the case of NovAtel, (a Crown corporation of the Province of Alberta which eventually lost more than half a billion Canadian dollars, and became the subject of a special audit report), a highly charged political debate was effectively sanitized through its investigation by auditors. I argue that the practice of auditing was appealing to a government seeking to defuse a crisis in which ministerial competence was severely questioned. In having auditors investigate these matters, politicians brought to bear an approach and analysis which would encourage an understanding of the events surrounding NovAtel in managerial rather than political terms. Weber's notion of formal and substantive rationality is used to understand this shift, as auditors and their practices allowed political events to be addressed as if they were fundamentally managerial problems.

INTRODUCTION

Government auditors' mandates have been little explored in the accounting literature. Though legislators, auditors and others involved in the developing the Acts that frame government auditing seem to believe that these things matter, academics have rarely turned to government audit mandates. As a consequence, we have little understanding of the scope of audit inquiry in government, or of the accountability structures that audit work provides.

This inattentiveness is part of a broader focus on the private at the expense of the public, a pattern which tends to implicitly suggest that corporations and the realm of the private sector are the only objects of management inquiry that are worth talking about, and that public sector issues can themselves be thought of as a subset of "management" issues, whose resolution is best achieved through use of more generic ideas and techniques developed in the intellectually leading private sector.

This paper explores some of the distinctive character of the public sector audit, by considering the operation of an audit mandate that allows politicians to specifically request that government auditors conduct special audit inquiries. Though comparatively little used, these provisions are now common in government auditing legislation. They provide an opportunity to study what in many jurisdictions is the unusual alignment of auditors acting at the request of the executive branch of government, a practice that brings together the clearly political programmes of those in power, with the claimed professional and technical concerns of those charged with auditing. I use this confluence as an opportunity to examine the interactions between auditors, politicians and others, using the idea of the "special report" as an opening to explore the dynamics influencing these relationships, and to review some of the consequences of using auditors to examine public affairs.

In other work more directly concerned with history and fieldwork, I develop a view of the flows of ideas that allow particular mandates to be developed (1995a); and explore the detailed mechanics by which

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auditors follow their mandates and go about their work. Here, however, I focus more on inter-institutional relations between auditors and other constituencies (political, administrative, and others) that are both the subject of audit inquiries, and consumers of audit reports.

To make sense of relations between auditors and other constituencies, I use Weber's notions of formal and substantive rationalities. The whole idea of government auditing may be understood as a rather heroic attempt to apply formal rationality; in this paper, I take the view that auditors' mandates and work are a part of an attempt to develop accountability through means of this kind of deliberative, formal rationality that Weber saw as being at the heart of modernity (Sayer, 1991). I contrast the more formally rational concerns of the auditor with the substantively rational concerns of those elected to office, and trace the interaction of political concerns with the frameworks of accountability of which audit is held to be a part.

The remainder of the paper is organised as follows. First, I explore the idea of a "special" audit, and the mandate that allows such audits to take place. Second, I discuss ideas of formal and substantive rationality, applying these to the specific institutional frameworks that government auditing presents. I develop these ideas in analysing public representations of one particular special audit, the case of NovAtel Communications Ltd., a failed Crown corporation in the Province of Alberta, and conclude with discussion of the insights that this theory and case provide us.

THE ISSUE OF "SPECIAL" REPORTS

A variety of governmental audit bodies have the power to present audit findings as a "special report." For example, the Auditor General of Canada is empowered by his governing legislation, the Auditor General Act 1977, to present additional reports "On any matter of pressing importance or urgency that, in his opinion, should not be deferred until the presentation of his annual report" (s. 8(1)). Similarly, in the UK under the Local Government Finance Act 1982, the Audit Commission or the Secretary of State may direct that an extraordinary audit be undertaken (Glynn, 1985, p. 183). These clauses seem to offer an additional space for

government auditors to present their work, while the specific relations that many of these authorities impose between politicians and auditors add further dimensions to the audit process.

There has been little academic attention to the exercise of powers to conduct "special" or "extraordinary" audits, which, despite the existence of these mandates, seem to be comparatively rare. Yet the significance of audit reports conducted under these mandates may be great. Conducted under extraordinary circumstances, in the face of charges of mismanagement, financial irregularity or other problems of the type that it seems auditors are believed best suited to diagnose, audits of this sort show both auditee and auditor in special resolution. In those jurisdictions in which such extraordinary reports may themselves be triggered by ministerial request, these arrangements allow clearer examination of the dynamics of relations between

government auditors and the executive branch of government. Though much is now invested in the idea of government audit independence and the separation of auditors from the political concerns that drive other governmental arenas, in the case of the special report, this separation is breached. Politicians can directly request and require audits on topics that they themselves choose. It is useful to explore the ramifications of this interaction between auditors and the executive branch, and between the differing rationalities that provide the intellectual basis for each group's activities.

I return to Weber's ideas of substantive and formal rationality, to clarify these points of departure, after briefly outlining the history of special audits in the Province of Alberta, in an attempt to map out the questions that have surrounded special audits when the structures that governed them were still nascent. I then summarise the events of the NovAtel case.

EMPIRICAL BACKGROUND

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Special Audits in Alberta

This study draws on events in the Province of Alberta, Canada. Like other Canadian provinces, and following the lead of the Federal Government of Canada, Alberta moved to an efficiency audit mandate in 1977. Its preceding legislation, largely unamended since the Province's incorporation in 1906, allowed for one annual report, with little latitude for additional audit reports. In 1977, as part of wide ranging reform to allow a move to efficiency auditing, the Auditor's mandate was revised so as to allow for 'Special™D5' reports.

In developing the Act, internal documents were prepared by the Provincial Auditor's office, to discuss potential audit mandates and structures. These and other primary sources are used here. In addressing their mandate, the Auditors themselves discussed a wording that would allow the Auditor General to undertake 'audits, investigations and other assignments' at the request of the Lieutenant Governor, as a representative of the Crown, provided that doing so did not interfere with his primary responsibilities. Noting that this mandate was consistent with Federal statutes, and those of some other provinces, the Auditors argued that certain safeguards were nevertheless required, to preserve the Auditor General's independence.

A conflict of interest may arise, i.e., serving the administration and auditing the administration, therefore the Auditor General must have the option of accepting or refusing the request. The independence of the Auditor General will not be impaired if the option is left with him (Office of the Provincial Auditor, 1976, s. 15 (1)).

At this early stage, then, Auditors had recognised the potential for their independence from government to be undermined by their work being directed by ministerial request. This was an especially sensitive issue for them, as a major feature of the then pending audit legislation involved a formal separation of the Auditor General from government as a whole, with the Auditor General serving as an Officer of the Legislature, rather than of government. This move to formal independence was seen as an important shift, since it appeared to clarify these roles and enhance auditor prestige. Under the auspices of this new found independence, the option of rejecting requests for special audits remained, although this would charge already complex and delicate relations. Although its new mandate would allow it to be formally independent of government, the

Office of the Auditor General of Alberta, as elsewhere, nevertheless depended on the Legislature, controlled by government members, to provide funds with which to run the Office, and pursue its work. In these circumstances, independence might prove to be somewhat chimerical.

The mandates for special audits were repeatedly amended during the development of the Act, as senior Auditors met with the Provincial Treasurer and Legislative Counsel to draft legislation, and developed working papers which I refer to here. Early drafts removed initial references to audits at the Lieutenant Governor's request, substituting the idea that special audits should be conducted 'on any matter of importance or urgency' which in the Auditor General's view should not be delayed (Legislative Counsel of Alberta, 1977a, s. 17; Legislative Counsel of Alberta, 1977b, s. 18).

Later drafts removed this greater independence and instead called for the Auditor to take on such special duties as might be specified by the Legislative Assembly, or by the Executive Council (cabinet), provided that these did not impair his fulfillment of other duties (Legislative Counsel of Alberta, 1977c). Although this provided the Auditor General some latitude in accepting such requests, any rejection would have to be based on specific impairment of normal audit duties, a burden that might be difficult to suggest in the face of a determined cabinet. It was this latter mandate that was retained in the final Act (Auditor General Act, 1977, s. 17).

In 1992, under this mandate, the Auditor General of Alberta would investigate the affairs of NovAtel, at

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the request of the then Premier of Alberta, and the Provincial cabinet (Office of the Auditor General of Alberta, 1992). Though in the case of NovAtel, and other such special audits the mandates that allowed this work to take place would be reified, the history of their development shows that those in government were well aware of the tensions that might arise in ministerial direction of audit inquiries. The NovAtel report provides an opportunity to review and assess special reports in the field. It is now used to explore the rationalities surrounding special reports in general.

CONCEPTUALIZING SPECIAL AUDITS

Competing Rationalities

At this point, I develop a view of competing rationalities involved in the idea of special audits, and in the events surrounding NovAtel. On the one hand, I picture the activity of auditing as an attempt to deploy the formal rationality which Weber envisaged as central to the operation of modern governments. An apparently rational, technocratic practice, auditing is held out as a professional and non-partisan affair, in which evidence and facts are assembled, so as to lead to audit findings. This perceived operation is all very much in line with Weber's view of the operation of formal rationality, or the extent of quantitative calculation or accounting which is technically possible and which is actually applied (Weber, 1964, pp. 184-5).

By contrast, Weber argued that matters which proved not to be susceptible to this mode of analysis provided instances of substantive rationality, a reminder that economic activity was oriented to ultimate ends, and that these ends were not susceptible to formal calculation alone (Weber, 1964, pp. 184-5). Weber noted the increasing prevalence of bureaucratic institutions, and the bureaucratisation of the state, and discussed the ramifications of these movements (Weber, 1970).

While bureaucracy could provide some form to the by no means ambiguous ideal of objective, abstracted reasons of state, in cases in which technically driven formal rationality was unable to divine a correct response, whether by reference to bureaucratic procedures, rules, or professionally agreed upon best practices, then in these dubious cases, power interests tip the balance (Weber, 1970, p. 220).

While the formal rationality of a growing bureaucracy seemed to be spreading throughout modern governments and organisations, there were limits to its reach. Some lacunae in formal rationality could not be dealt with through appeals to formal rationality itself. In the face of these problems substantive rationality would fill in the gaps that emerged in formal rationality. As Weber noted, the concept of substantive rationality is full of difficulties.

It conveys only one element common to all the possible empirical situations; namely, that it is not sufficient to consider only the purely formal fact that calculations are being made on the grounds of expediency by the methods which are, among those available, technically the most nearly adequate. In addition it is necessary to take account of the fact that economic activity is oriented to ultimate ends (Forderungen) of some kind, whether they be ethical, political, utilitarian, hedonistic, the attainment of social distinction, of social equality, or of anything else. Substantive rationality cannot be measured in terms of formal calculation alone, but involves a relation to the absolute values or to the content of the particular ends to which it is oriented. (Weber, 1964, p. 185).

From the start, then, the bureaucratic procedures, technical notes and all other paraphernalia of the formally rational would be inextricably linked to the potentially indefinite number of possible standards of value (Weber, 1964, p. 185) which drove substantively rational behaviour. Substantive rationality could be deployed in the name of a myriad different objectives. I now expand these points with specific reference to the government auditing environment.

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Formal and Substantive Rationality in Government Auditing

Helpfully, Weber establishes a series of characteristics of legally authorized bureaucratic types of administrative organisation, which he viewed as "formally the most rational" means of exercising control pp. 328-40, reprinted from the Theory of Economic and Social Organisation, Free Press, 1947. This quote from p. 12 of my reprint.. Review of these characteristics shows that auditing strongly fits Weber's model of the bureaucratic form that formal rationality involved. For Weber, bureaucratic organizations were characterised by their operation on the basis of law, and the establishment of an impersonal office (such as the "Office of the Auditor General"), whose members owed allegiance to the Office itself, rather than to the Office holder. Furthermore, the Office deals with a specified sphere of competence—the audit of governmental entities—and is hierarchically organized, with clear lines of authority. Audit work is understood to be governed by technical rules or norms, which may only be fully appreciated after certain technical training. Pay is carefully managed so that in Alberta, for example, the Auditor General is paid similarly to Deputy Ministers, and he is himself allowed to establish salary levels for his staff, in an effort to ensure that neither he nor his staff are subject to economic reprisals for their work (Auditor General Act, 1977). Finally, the auditors' administrative acts, decisions and rules are formulated and recorded in writing, allowing for the continuous organization of official functions.

Not only does the nature of the auditor's work appear to fit Weber's description of the legally authorized bureaucratic form, but the structures of the Auditor General's mandate and Office have been crafted in a way that follows this model. Weber argues from the start that both formal and substantive rationality must be considered in terms of their mutual interaction, but it can be seen here that government auditing is framed very much in the terms of formal rationality, and may be seen as an aspect of these broader bureaucratic approaches. However, Weber made it plain that however detached and rule bound the bureaucratic structures of formal rationality might seem, they were themselves intricately entwined with substantively rational concerns. Politics, then, is enmeshed with the formally rational auditing function. This linkage becomes significant in discussing the role of special government audits, and the operation of government auditing in general. While much has been invested by politicians and others in the provision of audit independence, and while auditors have themselves worked to formalise their procedures, Weber's analysis suggests a closer relation between substantively rational politicians and formally rational auditors.

Despite these links, however, a rhetorically useful public distance could be maintained between these domains. I consider these linkages before further mapping out the implications of Weber's analysis for the roles of auditors, and analysing the NovAtel case in terms of these theoretical insights.

For Weber bureaucracies operated within certain limits. The gaps in formal rationality alluded to above concerned areas which were ultimately immune to the kind of calculative rationality that was at the core of bureaucratic modes of operation. Formal rationality alone could not establish direction or formulate policy. This would be accomplished by political office holders, who, it is significant to note, were not specialists, as permanent officials were. A minister's claims were supported not by formal knowledge or training, but by appeals to certain values (Weber, 1947, pp. 328-40). Though bureaucrats, such as auditors, would themselves be skillful in directing bureaucratic machinery, they would ultimately have to defer to the substantive rationality represented in ministerial decisions, policy directions and the like. Substantive rationality would fill in the gaps, directing formally rational systems to certain ultimate ends.

Though his own analysis pointed to the depersonalization of the modern bureaucratic state as a central development, and one which obscured the influence of substantive rationality, Weber nevertheless argued that the functions of modern government were driven by substantively rational concerns (Weber, 1970). While acknowledging that both substantive and formal rationalities were somewhat abstract and generic concepts, Weber believed that formal rationality was largely subsidiary to the substantive rationality which for him oriented overall direction and goals (Weber, 1964). Though the trappings of the bureaucratic

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state, with its associated legal emphasis and appearance of order would present government action as being formally rational, in practice those in power would be constantly tempted to abandon universal principles for particular expedient goals. In analysing the interaction of the formal and the substantive, and documenting the rise of formally rational systems, Weber would conclude that "power has its reasons that reason cannot understand" (Weber, quoted in Trubek, 1972). Formal rationality would flounder in the face of substantively rational ends, and would come to be driven by them.

While formal rationality could be overcome by the direction provided by substantively rational concerns, it was itself crucial in the presentation of government affairs. The depersonalised, legalistic mechanics of the modern bureaucratic form were productive in that they obscured the operation of substantive rationality, and cloaked values in the rules and show of bureaucratic function. These appearances of dispassionate analysis were useful in the legitimisation of political goals. In essence, the significance of accountancy in such an environment was at once technical and rhetorical; accounting techniques offered a more rational approach to managerial affairs, but their very use was itself an effort to convince wider audiences of the legitimacy of a government's business affairs (Carruthers & Nelson Espeland, 1991). In this sense, power might have reasons that reason could not understand, but it could take on the appearance of a more calculated formal rationality through close association with it. Though modern society's ends might be questioned as being substantively irrational, the appearance of social goals as being driven by unprecedented levels of calculation was itself generative of an air of careful and deliberated action (Sayer, 1991, pp. 96-100). The trappings of bureaucracy provided benefits of legitimisation to government action which went beyond the logistical improvements delivered through bureaucracy's efficient and consistent operation.

THE CASE OF NOVATEL

At this point some brief background is in order, prior to a more theoretical exposition. The paper uses the idea of formal and substantive rationality as a means to explore special audits. It combines this theory with events surrounding the case of NovAtel, a Crown Corporation of the Province of Alberta, whose operation resulted in taxpayer losses of some \$614m Cdn. (Office of the Auditor General of Alberta, 1992), and caused significant concern regarding Alberta's management of Crown corporations, and the competence of those overseeing these entities.

At the time, the collapse was the latest in a series of failures stemming from the Provincial governments attempts to diversify Alberta's resource extraction based economy through "picking winners", such as NovAtel's high tech cellular phone business, and then investing public money to nurture chosen industries within the province.

The repeated failures that followed these investments were seen as an indictment of government policy, and of the way in which the government approached its fiscal responsibilities. NovAtel was viewed as an acute embarrassment to the Conservative government of the day, and, at an especially sensitive pre-election period, it became the subject of a special audit, conducted by the Auditor General of Alberta, at the request of the Provincial Premier. This special assignment offers an opportunity to explore auditors' roles when engaged in special audit work, and allows for an examination of the rationalities guiding this activity.

The collapse of NovAtel was a complex affair, catalyzed in the heat of the Provincial Government of Alberta's privatisation of its telephone company, AGT Ltd. (formerly, Alberta Government Telephones). While the fine points of the collapse are subsidiary to this paper's interest in the special audit report which followed, some details are appropriate prior to more theoretically driven discussion.

Understanding the Case

NovAtel had been created in 1983 as a joint venture between Alberta Government Telephones and Nova Corporation, a large Alberta company. NovAtel was established as a cellular telephone equipment

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manufacturer involved in both systems (switchgear) and subscriber (telephone) equipment. In 1989, some six years after the creation of this joint venture, Nova Corporation, dissatisfied with NovAtel's slow progress towards profitability, sold its share of the business to AGT for \$42.5m Cdn., making NovAtel a wholly owned Crown corporation. The following July, Robert Bosch GmbH agreed to buy 50% of NovAtel for \$100m Cdn., and began detailed review prior to completing this purchase. In September of that year, the privatisation of AGT and NovAtel, AGT's subsidiary, began; AGT was renamed Telus Corp., and a prospectus was issued in which NovAtel forecast a profit of \$16.9m Cdn. (Office of the Auditor General of Alberta, 1992).

Eight days after the issue of this prospectus, NovAtel revised its earnings estimates to a loss of \$4.1m, a move that threatened the privatisation as a whole. To avoid cancellation of the offering, the Provincial Government of Alberta agreed to indemnify Telus for the shortfall in income, and to buy NovAtel from Telus if Bosch failed to complete its purchase of NovAtel. In November 1990, Bosch withdrew from the deal, citing concerns with NovAtel's focus on the declining car phone market, quality issues, and other matters (Office of the Auditor General of Alberta, 1992, pp. 30-36). Soon after, NovAtel released its Chairman and CEO, together with its President and Controller (Craig-Bourdin, 1994; Office of the Auditor General of Alberta, 1992). Telus sold NovAtel back to the government for \$159.4m Cdn. in December 1990.

NovAtel's next results in March of 1991 showed a loss of \$203.9m Cdn. for 1990. Following restructuring, the Provincial Government sold NovAtel's systems business to Northern Telecom for \$38m Cdn., and the subscriber business to Telexel Holding Ltd, for \$3m. Cdn., and \$5.8m Cdn. in receivables.

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The Provincial Government announced a loss of \$566m Cdn. attributable to NovAtel; the later Auditor General's report suggested that the eventual loss could amount to \$614 m Cdn. (Office of the Auditor General of Alberta, 1992), or some \$240 Cdn., per Alberta resident (Office of the Auditor General of Alberta, 1992; 1993). At the time, the losses attributable to NovAtel were the largest ever experienced by a Canadian province (Crockatt & McConnell, 1992).

Considering NovAtel

NovAtel really needs to be understood in local context to consider its then explosive ramifications in the political arena. While I save elements of this context for later analysis, it is appropriate to consider the symbolism that initially developed around the case now. As one political commentator, and editorial writer for The Edmonton Journal would write of the NovAtel losses,

Shock was probably the first reaction people had. No explanations were possible. No justifications. There was only a stunned moment of disbelief, followed by disappointment, anger, sarcasm, rage.

NovAtel horrified the Conservatives. The company name turned into a one-word argument, an irresistible denunciation. NovAtel was an encapsulated history of everything that had gone wrong in the government's many business ventures. Whenever two people talked in Alberta and one of them said "NovAtel," the word flooded the conversation. It burst with meaning. It was a final proof of incompetence (Lisac, 1995, p. 28).

NovAtel came to represent more than mere financial failure. As a Crown Corporation it was a creature of the provincial government; more importantly, it reflected what some saw as government wide strategies and operating practices. Informed by political policy, and controlled by political appointees, NovAtel was a testament to a living political culture. Its failure was perceived as a failure of that culture. In the face of these acutely political concerns, it was an Auditor General's report, not a public inquiry, nor other more open hearing, that would delve into NovAtel and its causes.

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In exercising its rights to require the Auditor General to make a special report into this area, the Provincial cabinet made clear its preferred form of examination. It seemed that a review would have to take place, to provide some form of exculpation for what was seen as extraordinary failure. But while public inquiries and the like would add to the overtly political cast that had surrounded NovAtel, an audit report held out a different prospect. Financial losses could be understood as the result of management failures, of managerial decisions, and of management's governance. Once transformed from the arena of politics to that of management, the issue could be diffused. Rather than being an issue of political accountability, NovAtel could be removed from the political arena, and reconstructed as a fundamentally managerial matter. This was the government's chosen ground. I argue that to understand this shift it is important to address what Weber saw as the differing rationalities involved in bureaucratic and political operations.

Having developed a theoretical framework to examine these matters, I now elaborate the role of auditing in effecting a shift of concern regarding NovAtel from the realm of the substantively rational (politics) to the formally rational (management), arguing that audit inquiries themselves permitted a transformation of meaning surrounding NovAtel, an outcome which was itself predictable because of the limitations inherent in auditing's formally rational claims to expertise.

LEARNING FROM NovAtel

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The Politics

I have briefly alluded to the political furor attending to the NovAtel losses; here I map out the debates of the time, and the way in which auditing was turned to by government as a way of diffusing the crisis which it faced. NovAtel came to a head during the Telus privatization, when it was removed from Telus and made a wholly owned Crown corporation. Soon after this had taken place in February 1992, a Ministerial Task force was created to decide the fate of NovAtel and eventually to oversee its sale in May of that year. NovAtel's problems had attracted political scrutiny; Opposition questions in the Legislative Assembly regularly focused on such issues as the government's tardiness in releasing NovAtel's financial statements, the potential sale price of NovAtel, and losses attributable to the government's ownership of the firm (e.g., Alberta Hansard, March 25 1992; April 6 1992; May 4 1992). This steady flow of interest vastly increased with the sale of NovAtel in May 1992, and the government's announcement of an estimated loss of \$566.5m Cdn. connected with NovAtel's operations. As the losses were made public the then Provincial Treasurer observed that, "It's a very difficult time for us in government. Certainly, these dollars could have been more well spent in other areas" (Crockatt, 1992a, p. A1). The Provincial Premier announced that the government had asked the Auditor General to begin inquiries into the NovAtel affair, arguing that the Auditor General's report would publicly reveal the reasons for the government's losses, and adding that he would not pass judgment until the report was released.

The Official Opposition would understandably seek to make political hay out of the NovAtel affair. In arguing that it represented "the biggest bamboozle in the history of Alberta" the Opposition Leader sought political accountability, suggesting that "heads should roll over something like this" (Crockatt, 1992a, p. A1).

He dismissed the idea of the Auditor General inquiring into NovAtel, since in the Province's most recent politically charged financial scandal, concerning the Principal Group, (in which a financial services firm collapsed, causing losses to many small investors), the government had instead appointed a Commission of Inquiry, which held public hearings, and had the power to order witnesses to testify under oath.

The Auditor General enjoyed no such powers, and his inquiries would be conducted in private. Of course, private hearings might well seem more attractive for a sitting government concerned to limit the bad press

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it faced in connection with financial scandal. Ministerial responsibility had prevailed in the case of the Principal Group's failure, causing the then Consumer Affairs Minister to resign. One political commentator would observe that the government's lesson from the Principal Group's public inquiry was that "political damage control is hazardous when control is surrendered to a public inquiry process" (Ziegler, 1992). At the outset of the Auditor General's inquiries the Official Opposition voiced concern that an audit inquiry would not promote an adequate level of accountability.

From Politics to Business

The Provincial Cabinet's request called for the Auditor General to report on the key events, decisions, etc., connected with NovAtel, to assess the Province's losses, and their main reasons, and to assess whether "accounting and management control systems that could have reasonably anticipated and/or prevented such losses were not in existence, were inadequate, or had not been complied with" (Office of the Auditor General of Alberta, 1992, pp. 2D3). While political machinations of various kinds formed around the NovAtel affair, the Auditor General was now firmly involved, and his remit was framed in managerial terms, steeped in the terms of formal rationality.

The appointment of auditors was an influential first move in the presentation of NovAtel as being due to management failure, rather than political policy. In applying the formal rationality of the Auditor General and the practice of auditing to the political problems that NovAtel presented, the cabinet offered a progressive transformation of NovAtel from the realm of substantive rationality to that of formal rationality. Gaps in the formally rational auditors' report would then be filled by the substantially rational, as politicians presented their own partisan interpretations of the report.

At the outset, the Auditor General's terms of reference mapped out areas which auditors and professional institutes might themselves offer as falling well within their professional expertise. A reporting of the facts, together with a focus on accounting and management control systems is hardly an unusual departure for those charged with attest and, in government, efficiency auditing responsibilities. The significance of these terms of reference is not that they fall outside an auditor's perceived professional jurisdiction; rather, it is in their falling squarely within this zone. The construction of NovAtel as a matter that was amenable to the analysis that auditors could provide would effectively limit alternative forms of understanding. While an inquiry, commission or some other public body might stray broadly into areas perceived as "policy" areas that would be governed by the more flexible substantive rationalities which drove the political arena the formal rationality with which auditors were associated seemed to provide less political risk.

Auditors' associations with formal rationality were politically attractive in several ways. That the Auditor General seemed less likely to openly question policy, and more likely to diagnose "management" failures was one advantage. For those charged with ministerial oversight of NovAtel and other concerns, management problems, and the management failings of those beneath them, would be easier to deal with than a wider ranging analysis of the structures that allowed NovAtel to occur. In addition, the audit investigation itself seemed to offer a break in political scrutiny of the NovAtel affair. The government's role in NovAtel had increasingly been questioned, presenting the government with an ongoing flow of embarrassment. It seemed that the period of the Auditor General's investigation could bring a lull in NovAtel's political life, during which other news stories might take over, perhaps eclipsing NovAtel as a political issue; political interest might die over time. As a short term stratagem, holding a private inquiry offered the prospect of a delay in public debate, and would avoid the ongoing flow of evidence, testimony, etc., that a public inquiry would involve.

The appointment of an auditor to inquire into government business was itself congruent with the government's appeals to the private sector. The Progressive Conservative government had promoted

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itself as the party of business and free enterprise, and many leading Conservatives were drawn from the business world. On the day that the NovAtel losses were announced, the then Provincial Treasurer, a Chartered Accountant, would be taunted by the Leader of the Opposition through reference to the government's claims to business expertise. Referring to the Provincial Treasurer as "one of those shrewd business people" associated with government (Alberta Hansard, May 21, 1992, p. 1018), and describing the affair as "the biggest mismanagement in the history of Alberta" his questions would be met in part with accounting corrections which drew on, and emphasised, this claimed business expertise. The Treasurer commented on the Leader of the Opposition's confusion of the influence of NovAtel on provincial finances, and the need for the Provincial Treasury to cover NovAtel's losses, "two separate, entirely different and distinct concepts in the business world" (Alberta Hansard, May 21, 1992, p. 1019). A discussion of the role of the Auditor General in agreeing on a procedure to recognize the losses in the provincial accounts followed this initial instruction in accrual accounting.

After the appointment of the Auditor General, the inquiry itself provided a useful rhetorical means of deflecting political criticism. In reviewing the Alberta Hansard after the NovAtel audit was announced, the same pattern of opposition questions and ministerial reference to the Auditor General's ongoing review is repeatedly played out. For example, in questioning ministerial approval of the Telus prospectus prior to NovAtel being removed from the sale, the Leader of the Official Opposition asked how the Provincial Premier could claim, "that there is no ministerial responsibility in this mess when the minister's own signature shows clearly that there was?" He met this response:

Frankly, this is exactly the kind of information that is going to be compiled, put together, when the Auditor General completes the task we have set for him. (Alberta Hansard, June 4, 1992, p. 1162)

Though the opposition would argue that the government could not "hide behind the Auditor General" (Alberta Hansard, June 4, 1992, p. 1162), in practice the Auditor General's inquiries provided an effective screen. The mere deployment of formal rationality provided a pretext for the evasion of NovAtel as a political event, as ministers deferred comment until the Auditor General's report was released, much as they might treat a matter that was before the courts.

While the audit continued, some additional matters did come to light; Opposition researchers reviewed U.S. SEC filings and other documentation, finding, for instance, that provincial funds had been flowed through NovAtel to finance favorable loans to American companies bidding for cellular telephone licenses, as a means to improve NovAtel's sale of switchgear (Crockatt, 1992b). At one point these provincially backed loans approached a billion dollars. In the face of this, Ministers would attempt to legitimize the loans and other activities as being part of an overall pattern of responsible action, in which it was entirely appropriate, as one put it, for "business people to make business decisions" (Das, 1992). Though politicians would seek to maintain a division between business and the political, a firewall which was useful in evading calls for ministerial accountability, this divide had been especially permeable in the Alberta government's mode of operation. In a province in which political patronage played a key role in the extension of political power, government controlled board appointments provided useful roles for leading members of the Progressive Conservative party.

The NovAtel board and its supervising body, the AGT Commission, read, as one commentator put it, like, "a Who's Who of Provincial Tories" (Cernetig, 1992, p. A1). **The Chair of the AGT Commission, Harry Hobbs, was a former heating and plumbing contractor and Conservative fund-raiser who had served in government and played junior football with former Provincial Premier Peter Lougheed, the elder statesman of the party (Crawford, 1992). Chip Collins, the former Deputy Provincial Treasurer (a political appointment within the Civil Service), had joined the Provincial Government after working with Lougheed during his brief stint in the private sector, and had maintained close connections to government. Other board members included a former energy minister, Merv Leitch, and a prominent Tory fund-raiser and car**

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dealer (later imprisoned for business fraud), Fred Weatherup (Chalmers, 1992; Lisac, 1995, pp. 37D8; McConnell, 1992c). NovAtel's chairman, Neil Webber, a former college administrator, had served as a Cabinet Minister (Crockatt, 1992c); even NovAtel's Chief Executive Officer enjoyed Tory connections that had smoothed his path from being a structural engineer and later a travel agent and oil investor, to becoming CEO of an advanced cellular telephone concern. Na business in which he had no background (Lisac, 1995, pp. 37D9; Office of the Auditor General of Alberta, 1992).

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Despite the close proximity of these appointees to the provincial party, ministers would later seek to distance themselves from NovAtel's management, with the Minister for Technology, who carried overall responsibility for NovAtel's operations, suggesting that "they [management] ran the company, they made those decisions, they didn't come before government at all" (McConnell, 1992b). After adding that "quite frankly there was some mismanagement" (McConnell, 1992b), the minister would maintain that NovAtel's management was a distant entity, with little communication with government. Tory ties were washed in a rhetoric in which business affairs were for business people, and so could be somewhat righteously declared to be entirely separate from political life, even as government attempted to draw legitimacy from its claims to business expertise.

These government representations seemed successful, and began the prospect of constituting NovAtel as a business matter, well suited to the formal rationality of audit inquiry; debate was largely suspended in advance of the audit report. Despite this lull, and the rhetorical separation of politics and business, there were occasions on which the political meaning of the Auditor General's work would surface as, for example, the Minister for Technology, promised that he would resign "in a minute" if found guilty of wrongdoing (Lisac, 1992b). Nevertheless, the divides between formal and substantive rationalities would largely be maintained; auditors would reject the idea that their work dealt with political matters (their preference being to report on management "systems", a focus that was congruent with their more usual efficiency auditing work), and ministers would describe the Auditor General's remit as being to provide a "non-partisan, neutral review," with the proviso that, "We have to get the politics out of it" (Dudley, 1992). The assignment of auditors, and the association of auditing with the dispassionate calculations of formal rationality, was a productive step in advancing this aim.

The Auditors

At this point I turn to the work of the auditors themselves, considering their report as a product of their special audit, an assignment which, by its very nature, was non-routine. In other studies, I concern myself with the mechanics of broader audit inquiries, such as those addressing economy, efficiency and effectiveness (Radcliffe, 1994; 1995b). Here I focus on the higher level interactions between auditors, politicians, and political life, developing ideas of the consequences of invoking auditing in charged political arenas such as those in which special audits are developed.

The audit inquiry itself involved three rounds of tape recorded interviews, conducted in private, by members of a small group of auditors assigned to the NovAtel project, interspersed with meetings, discussions, and the development of draft report material (Salmon, Wingate, & Hug, 1993). Some elements of this process would emerge in public reports of ministerial testimony, as the Auditor General announced that various ministers involved were "all on the list" to be interviewed (Helm, 1992a). Other details of the investigations themselves came to light, as when the Minister for Technology reportedly was interviewed by the auditors for three hours, asking the auditors "whether they believed that they were going to get the full story," which, apparently, they did (Helm, 1992b).

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Although none of the interviews were conducted under oath, and the Auditors lacked the power to compel witnesses (both powers that a judicial inquiry might have enjoyed), the proceedings continued to be approached with a gravity that suggested a judicial air. When asked of these omissions in the Auditor General's remit, the Minister for Technology would argue that "a cabinet minister is continually under his oath of office" (Helm, 1992b), similarly, when the audit process was itself questioned in the Legislature, the Provincial Premier would vigorously defend the legitimacy of the special audit:

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For the Leader of the Opposition to say that the Auditor General will conduct a review and that's a cover up is quite an alarming comment to make with regard to the Auditor General. That has never been something that he would do, and I think it is quite a direct shot at the credibility of Auditor General... with him conducting a review, it is not a cover-up. (Alberta Hansard, May 25, 1992, p. 1076)

Again it is seen that the divide between formal and substantive rationalities is flexible. Those pursuing formal and substantive rationalities turned to each other in a mutually legitimizing exchange. Here politicians would provide substantively rational defences of the legitimacy of the audit inquiries that they had instigated; in other areas audit and similar formally rational practices would be used to enhance the legitimacy of substantive political decisions. For the most part, however, such public justifications seemed unnecessary; the more usual approach to the special audit was one of deference, and during the period of the special audit the NovAtel case was considerably quieter than could have been expected in the face of a public inquiry. NovAtel would come to its greatest prominence once the Auditor General's report was published, a period to which I now turn.

Audit Findings

The NovAtel report was published on September 25, 1992, some five months after the special audit had been assigned to the Auditor General. The report made five recommendations, centered on increased financial disclosure and scrutiny of Crown corporations and other provincial entities, as a response to what the auditors saw as systemic problems in the accountability of Crown corporations and Provincial agencies (Office of the Auditor General of Alberta, 1992). The details of these recommendations are of subsidiary interest here to the causality ascribed to the events surrounding NovAtel, and to interpretations of the report in the political arena, however, there were interesting features in the report. The recommendations themselves focused on a series of basic planning and budgetary controls, with the suggestion that budgeted and actual results be reported to the Provincial Public Accounts committee, which was advised to "consider the reasons for actual results being significantly worse than budgeted results" as identified in the Public Accounts, in an effort to catch future losses at an earlier stage (Office of the Auditor General of Alberta, 1992, p. 21).

In observing that a Board of Directors "must understand the business it is directing," the auditors' understated conclusions laid out their understanding of what they viewed as the systemic control failures that had allowed the NovAtel's losses to occur:

NovAtel's losses were made because the majority of the members of the NovAtel Board and the AGT Commission, either did not recognise the risks that NovAtel was running, or took no effective action to limit the risks. The members were not active participants in decision making, rather they were led by NovAtel's Chairman, and, to a lesser extent, by NovAtel's President.

The accountability of the AGT Commission and NovAtel to the Province was similar to that of many Provincial agencies. The government appoints autonomous boards to manage the operations of the agencies. However, there are some significant deficiencies in the process used to monitor the activities of such boards. The NovAtel losses illustrate what can happen when deficiencies exist in an accountability process (Office of the Auditor General of Alberta, 1992, p. 20).

When read carefully, by an audience familiar with issues of internal control, and primed with a familiarity with the general language and professional knowledge with which accountants work, the broader ramifications of such conclusions as these become clearer. NovAtel's significance to the auditors was not

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as an exception but as a rule: it was not that NovAtel had been run in a way that was out of the ordinary, it was that its structures and management were at the time standard operating procedure for the Provincial government's many delegated bodies. What was apparently lacking in the formally rational tone that the auditors brought to bear on NovAtel's affairs was a context in which the modes of operation which NovAtel demonstrated were connected to the substantively rational political decisions and policy context that allowed the whole affair to take place. The auditors' diagnosis, as read in their report, was entirely managerial: it approached causality in terms of formal rationality alone.

In later interviews a senior auditor would add some substantive rationality to the formal approach of the report, commenting that appointments to boards and other bodies were made "because of who you know, not what you know" (McConnell, 1992a), while a reporter would note that the boards controlling NovAtel were "riddled with Conservative party members," (McConnell, 1992a). But the connections between systems of political patronage and frameworks of accountability could not be effectively made within the bounds of language with which auditors could comfortably work. Indeed, it is notable that such direct analysis found no place in the careful language of the audit report. Audit inquiries were not positioned as a means to directly assign political responsibility, indeed, the formal mandate which began the NovAtel audit left little scope for such findings—and auditors, who attempted to hold themselves above the political fray, would find an engagement in direct discussions of political responsibility to be treacherous ground. Rather, like modern attest auditors, the Auditor General and his colleagues would provide the report as "information" which others could interpret as they chose. In this environment, the unspoken elements of the auditors' formally rational report would be met with a variety of interpretations developed by those who had few qualms in being guided by substantively rational concerns. Having received the NovAtel report, politicians would vigorously provide interpretations of its meaning, filling the interpretive vacancy left by the auditors' reticence with their own substantively driven analysis.

The Formal and the Substantive

The NovAtel report was the subject of a barrage of interpretation, provided by a series of politicians, commentators and others. The political machinations surrounding the report became a central means by which it was disseminated; few would read the report itself, many would see fragments of press conferences and political comment on television, or in local newspapers. Using their daily interactions with the media, politicians were able to gain much ground through providing the comments which reporters would then use to frame stories and present the NovAtel affair to a wider public. The government and its ministers would vigorously take to the offensive, after receiving the report a day in advance of its public release (Crockatt & McConnell, 1992). In this way, the gaps that the NovAtel report presented, in its failure to directly assign responsibility, and in the Auditor General's reticence to enter into the fray of media interpretation, all provided a space for the formal rationalities of auditing to be spun into the substantive rationalities offered by politicians seeking to deflect challenges to their legitimacy.

The Minister for Technology, who had earlier promised to resign in a minute of found guilty of wrongdoing, carefully noted that "He [The Auditor General] has not ... fingered me in any specific way in the report" (Crockatt & McConnell, 1992). Later, the Provincial Premier presented his own view of events, in which management was at the centre of things, since, as he put it, "We did place faith and trust in some people and they let us down" (Crockatt, 1992c). Other cabinet ministers would suggest that the cabinet had received bad financial information (The Edmonton Journal, 1992), and even misrepresentation which might warrant legal action, even criminal charges (Howell & McConnell, 1992; Lisac, 1992a). These comments in the immediate aftermath of the report would never result in any legal maneuvers. However, in claiming that NovAtel's management had been "deceiving everybody" (Crockatt & McConnell, 1992) cabinet ministers depicted themselves as innocent bystanders, misled by a corrupt and nameless management.

At a time of leadership transition in the Conservative party, a flock of potential candidates sought to disavow allegations of patronage, suggesting a more open approach to government, although one which would not discourage the continued participation of Progressive Conservative party members. The Premier would himself claim that he could not remember making any patronage appointments (Crockatt, 1992c). Tory leadership candidates would reassure their key party activists that a future government would not exclude Conservative appointees (McConnell, 1992c), with the eventual leadership successor noting that an appointee's politics had to be carefully considered, since "you have to make sure you aren't [...] appointing your enemies" (Howell & McConnell, 1992).

What is interesting about the NovAtel report and its aftermath is the way in which NovAtel was transferred out of the political realm. Ministers had carefully depicted NovAtel as a failed business venture, directing attention to management and to what, for most in the electorate, were the seemingly arcane matters of NovAtel's financial stewardship. Though in a press conference introducing his report the Auditor General would note that he thought there was cabinet responsibility, and that government should have appointed skilled and knowledgeable directors (Crockatt & McConnell, 1992; Geddes, 1992), this was a failing that was so carefully phrased that its significance would be lost to most who heard him. Most reporters would not be familiar with auditing, nor with basic control issues. The measured language of the auditor did not, and could not, provide an immediate education in these areas. In the face of these rhetorical hurdles the report did not convey audit findings in a way that was as persuasive and communicable as was the politicians' line. However, there were limitations in a formally rational audit approach which went beyond the communication of its findings.

It is interesting to note that at the news conference introducing his report, the Auditor General would comment that "for me to go beyond and to name the person [responsible for NovAtel] ... I don't intend to do that" (Waugh, 1992), an observation that was congruent with his initial interpretation that his mandate did not involve "pointing the fingers" (Crockatt & Lord, 1992). This approach can be understood more easily from a formally rational viewpoint. From such a perspective it would surely be enough to outline events, describe key decisions, and allude to failings in management control systems, leaving political connections and matters of accountability to be made by others if they chose. When combined with the observation that NovAtel represented failings of accountability that were replicated throughout government (Office of the Auditor General of Alberta, 1992, p. 20), the formally rational viewpoint of an auditor would indeed make NovAtel seem to be a troubling case. The disconnection that occurred between the NovAtel report and the political domain can be understood partly because the formal rationality and the financial expertise that underlay it was missing from the political arena, and the auditors' findings were not translated in a way that was amenable to public discussion. Instead, the most accessible interpretations were made in a wave of government representations of what NovAtel really meant. In the absence of a clearer interpretation from formally rational auditors, substantively driven politicians took centre stage.

There is more to be considered in the failure to connect seemingly damning audit findings into broader political debate. Perhaps the abstractions of financial matters, often observed as a major obstacle in the prosecution of complex fraud, meant that the connections between financial decisions and a policy environment seemed too distant to be readily conveyed. This, however, would suggest that matters simply required clearer and more deliberated presentation. There are questions, though, of the appropriateness of audit inquiry in the face of public loss. Ministers clearly considered a variety of options, including the more traditional route of a public inquiry. These were rejected in favour of an audit report. At this point, having considered the auditors' product, it makes sense to think about the formal rationalities with which auditors claim to work. In doing this, I argue that the formally rational language with which auditors worked was fundamentally limited for the task at hand.

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CONCLUSIONS

The Two Rationalities: Constrained Audit Language and Outcomes

Further mapping the analytical frameworks of formal and substantive rationality to the NovAtel case can provide fresh insights into the effective role of audit inquiry in such "special" reports. While auditors would themselves be called on because of their claims to expertise and their embodiment of formal rationality, they could not operate without a mandate and authority that was itself framed by the substantive rationalities of the political arena. From the start, they operated in relation to the political domain, although their report would ultimately fail to produce political accountability. The limits of formal rationality meant that auditors would be loath to question the policy directives provided by non specialist officeholders in cabinet and elsewhere. To do so would be to stray beyond their claimed area of expertise and professional jurisdiction (Abbott, 1988), which was concerned with the calculative technologies and the financial procedures by which government enterprises could be run. As the Leader of the Official Opposition noted at the start of the Auditor General's assignment, "instead of setting up a process to investigate a political decision, the auditor general can only examine financial decisions" (Helm, 1992c), an observation which foretold the managerial cast that the audit report would provide.

While auditor's professional claims did not go beyond the formally rational, in the course of their audit investigations into matters such as NovAtel it was expected that they would develop opinions regarding the causes of NovAtel's losses, and would offer remedial action, these opinions having potentially wider political importance. As an activity that was grounded in, and legitimised by, formal rationality, the audit process would focus on matters that were within auditors' accepted domain of expertise, both because of their knowledge base, and because of their concerns to work within areas which were seen by others as their legitimate preserve. Audit expertise, having been constructed as an aspect of the calculative and bureaucratic arena of formal rationality, could not easily transcend these boundaries. We should recall the observations made by senior members of the Provincial Audit Office as the special audit mandate was framed "in allowing audits at ministerial request, a conflict of interest might arise for auditors who both served government and audited government (Office of the Provincial Auditor, 1976, s. 15(1)). By virtue of their mandate and their professional claim, auditors would find it extremely difficult to directly assign responsibility, as the Auditor General would later make plain in his reluctance to name names (Waugh, 1992). In these omissions, the auditors simply worked within the limitations of their professional knowledge and claim, operating within the limits of what was seen as appropriate for their position. In doing so, however, they provided a technical analysis grounded in formal rationality that enhanced the legitimacy of the provincial government's substantively rational affairs (Carruthers & Nelson Espeland, 1991).

The seemingly technical nature of the NovAtel report and the cabinet's willingness to interpret NovAtel's failure as a managerial concern left an opposition wondering how it had failed to connect. Prior financial scandals had resulted in ministerial resignation and government overhauls. NovAtel had brought the greatest loss in Canadian provincial history, and yet the minister in charge would argue that neither he nor the government had done anything wrong. Faced with the Opposition's apparent impotence, its Leader would observe that "there's never been a collective acknowledgment that they were in the wrong" (Crockatt & McConnell, 1992). In moving NovAtel from the realm of politics to that of business, and in maintaining a rhetorical distance between these domains, politicians both avoided blame and maintained an environment in which it seemed possible for audit inquiries to resolve political concerns.

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In handing NovAtel over to auditors for their examination, the provincial cabinet effectively provided for a financial autopsy in which causes and remedies were both drawn from the formal rationality within which auditors operated. Though this shift would serve a variety of political objectives, including the diffusion of blame, and the dissipation of charges of ministerial incompetence, auditors would not directly stray into the political arena. Rather, the reciprocal relations between the formal and the substantive discussed above meant that audit work would as a matter of course have ramifications beyond its immediate formally rational areas of concern and claimed competence. In the NovAtel report, as elsewhere, formal and substantive rationalities would be closely associated. Just as the substantively rational framed the auditors' mandate, so formally rational audit inquiries would have ramifications in the political domain, in this case, draining political meaning from events, focusing instead on a concern with business administration.

The involvement of accountancy was crucial in the depiction of NovAtel as a business affair, and in attempting its separation from the political arena. In turning to auditors to provide a special report, the Provincial cabinet looked for a managerial diagnosis, rather than a political one. Given these concerns, the work of an Auditor would be more predictable than that of a Public Inquiry or other more generalist body. Unlike those alternatives, the auditors' claims to expertise rested specifically in the financial arena. It followed that auditors were more likely to discuss failings of internal control, corporate governance or other seeming abstractions, rather than the political environment which allowed NovAtel to take place. The role of politics was not a matter within the auditors' domain, an omission which meant that auditing's appearance of formal rationality would provide rhetorical benefits of legitimation to substantively rational political actors. Political decisions would become merely managerial issues; ministerial interpretation of the report would merely amplify this presentation.

The language of auditing did not allow for the powerful political meanings formerly ascribed to NovAtel, as a word which burst with meaning and was final proof of incompetence (Lisac, 1995, p. 28). Such concerns would be evaded in a report which, by nature of the professional knowledge on which it was based, could only conceive of these problems in managerial and bureaucratic terms. Auditing's basis in formal rationality gave it a constrained language and approach which placed the substantively rational off limits, while associations with audit reports and other mechanisms of formal rationality would serve to bolster the legitimacy of substantively rational policies established by the provincial cabinet. Though in the NovAtel case and other instances, political power would have reasons that reason could not understand, it could obscure these difficulties and be legitimised through association with the calculative approaches offered by bodies of expertise such as auditing.

Further Research

This paper has examined the influence of special audit reports in government, arguing that reciprocity between formal and substantive rationalities means that auditing is firmly implicated in the political arena. A number of avenues for further research are open at this point. First, this research has been centered around the interpretation of specific events in a specific jurisdiction. It may be that the boundaries of professional action are different in other jurisdictions, and that analysis of special audit events would lead to differing conclusions and insights. The importance of local environments, circumstances, and histories, should be taken seriously, and there should be further contextual studies of special audits.

Second, one of the key dynamics in the NovAtel case was the seeming separation of politics and auditing. Though I have argued that this divide effectively breaks down, it is maintained, in a formal and public sense, by the representations of politicians and auditors regarding the independence of the audit process, and by the all party, consensus oriented approach by which Auditors General are selected in many governments. There are, however, environments in which auditors are themselves politicians, nominated by parties, and elected to office in a general election. Numerous state and local government auditors in the

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United States are elected to office in precisely this manner. In these cases the boundaries between the formal and the substantive are carefully mediated by candidates who at once seek political office, and appeal to images of dispassionate professionalism.

Having found the nexus of auditing and politics to be challenging in considering the issue of special audits, I plan to explore the dynamics of elected audit office as part of continued interest in the mixture of politics and government auditing.

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