

# **THE DUTCH AUDITING AND LUNCH TRADITION EXPLAINED**

STICHTING BEROEPSEER



**THE DUTCH  
AUDITING AND  
LUNCH TRADITION  
EXPLAINED**

Margreeth Kloppenburg

Corné van der Meulen (eds.)

Design: Mijke Wondergem, Baarn

Translation/editing: Metamorfose Vertalingen, Utrecht

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*Scattered throughout the publication, you will find portraits of foreign accountants working in the Netherlands.*



## So, is there a Dutch way of performing audits?

### Welcome!

Coming to the Netherlands to work in the audit sector leads to many questions up-front. In this publication, we aim to help you a bit by giving some idea of what it is like to live and work among the Dutch and other auditors from abroad: not too formal, yet informative, and so, we hope, in a welcoming tone of voice. Obviously, this is because we are happy to have you here.

We have gathered interesting data about the sector, added some historical background of the development of the profession, and explored the experiences of your future colleagues who have already survived the transition to this wet little piece of land reclaimed from the sea. We have also translated some essays by notable authors and academics, which appeared in a book that we published in 2017. This book was about the professional honour of the chartered accountant. We hope it will give you some insight into what kind of discussions are going on in the Netherlands. All these contributions should add up to a warm and informed start of your stay here.

As for the tantalising idea in the title of this first introductory contribution, whether there is a Dutch way of performing audits, experts on the matter would say quite decisively: there definitely used to be one! And it certainly had its influence on the global standardisation of auditing protocols that took place during the 1980s. It also means that the elements that made it typically Dutch have since become incorporated into these global principles and may not be that specific or recognisable anymore. Of course, it's an undeniable truth that when you come to the Netherlands to work in the audit sector, you will sometimes find yourself 'lost in translation'.

In this introduction, we aim to explain what this past influence was and we will try to throw some light on what is meant by professional honour and the concept of discretionary space as the very essence of good professionalism. We will also explain how the phrase 'professional honour' can be traced back to Napoleon's time, when he ruled this country through his brother. We think it will be helpful when reading the other contributions.

## A very short history of auditing in the Netherlands

The ‘Pincoffs affair’ of 1879 is generally seen as the start of the rise of the audit profession in the Netherlands. Lodewijk Pincoffs was the instigator of a fraud that entailed the loss of millions of Dutch guilders.<sup>1</sup> It led to a need for an independent auditor to prevent such a disaster from ever happening again. This auditor’s job would be to examine the accounting of the money entrusted to the management of a company on behalf of shareholders with a direct financial interest.

One of the most important founding fathers of the Dutch accounting and audit profession was, without a doubt, Théodore Limperg Jr (1879–1961). He had a major influence on the development of the audit profession by founding the Faculty of Economics and Business as well as a scientific journal. Both still exist today.

The Journal of Accountancy and Business Economics (*Maandblad voor Accountancy en Bedrijfseconomie*, MAB) is a renowned scientific journal, which has been in existence since 1924. The editors aim to inform readers about theoretical and practical aspects of and developments in accountancy. Furthermore, MAB publishes research articles on business economics and related knowledge areas, to the extent that they are relevant for accountants. In doing so, it focuses on scientifically trained accountants, controllers and business economists (as well as those who are studying for these professions) and on everyone who has a professional interest in the subjects dealt with. <https://mab-online.nl/>.

In those days, there were several bodies of accountants in the Netherlands, so the discussion on ‘what is audit quality’ arose very early (and is still going on as we speak). An auditor should meet the expectations of the public, but should at the same time not arouse greater expectations of his audit report than his examinations justify. ‘Limperg argued there was no need for specific technical auditing standards; the general auditing norm, directly linked to users’ rational expectation, would suffice to perform any audit.’<sup>2</sup>

1 Camfferman, 2000

2 Blokdijk et al., 1995, 24

3 Duits, H.B., 2012, The added value of auditing in a non-mandatory environment, p. 74

'I knew of Théodore Limperg's theoretical reflections on auditing, not just his "theory of inspired confidence" but also his utilisation of the concept of "free profession". The latter is an intriguing concept in a modern-day context, inviting conceptual reflection on where the auditing profession stands in terms of degrees of freedom – not just in the Netherlands, but also internationally.'

*'Notes from an interested outsider', interview with Prof. Christopher Humphrey, Manchester Accounting & Finance Group*

You can read more on the history of these two illustrious men, who had so much impact on the profession, in the contribution written by Luc Quadackers further on in this publication.

One of the most striking facts that shows how much the Dutch auditing tradition felt at ease navigating through users' expectations just by following Limperg's normative principles is that, for almost 80 years, auditors were trained without very specific standards. However, that changed drastically after the Anglo-Saxon concept of auditing using global standards developed into the dominant model, which it still is today.

Typical Dutch elements that have persisted to this day are having business economics as the basis of accountancy training and adhering to a specific discipline called the Administrative and Accounting Organisation (AAO) system:

'In the context of the historical development of financing the growth of companies by using retained earnings and/or borrowing from banking institutions instead of raising new capital (the common situation in Anglo-Saxon countries), the Dutch auditing focus was on meeting the requirements of owners and others who were entitled to a company's profits. Dutch auditors and management held a mutual interest in the AAO system. Managers viewed the auditor's findings and recommendations as having an added value for their own purposes.'<sup>3</sup>

As knowledge of standards became more important in the work of auditors and in training programmes, less formal attention was given to the normative and ethical side of the profession. Fortunately, at this point in time we can recognise a major shift or maybe even a renaissance towards a deeper and richer understanding of the concept of ethically driven professionalism, and a louder call for what could be an even more relevant contribution by the profession to today's society.

### The auditor's role in society seen as an honour

Louis Napoléon Bonaparte ruled our country as king from 1806–1810 on behalf of his famous brother, Napoleon. He took this task very seriously. His short kingdom led to the founding of for example our monarchy and the Royal Netherlands Academy of Arts and Sciences and the Rijksmuseum, and he declared Amsterdam the country's capital. His behaviour led to a conflict with his brother, the emperor, who then decided to take over. Napoleon continued modernising the governance of our country and – relevant for our story about professional honour here – the administration of justice.

The notion that some professions have an honourable job to do in society is connected to this period of French influence. On 14 December 1810, Napoleon signed a decree by which the disciplinary board for lawyers was installed. It was explicitly responsible for regulating the 'honour of the order of lawyers': *'Le conseil de discipline sera chargé de veiller à la conservation de l'honneur de l'Ordre des avocats'*. Other semi-public professions followed this example. In 1962, chartered accountants used the phrase 'the honour of the profession' as an individual responsibility for the first time. In the Accountancy Profession Act of 2012, we still find this idea of 'keeping up the professional honour' as a specific task for The Royal Netherlands Institute of Chartered Accountants (NBA).

The essence of working with professional honour is that you are intrinsically motivated to keep up high norms and deliver good work to the best of your abilities in order to meet the expectations of others and in service of society. The ideal model prescribes collective principles and norms, but at the same time offers enough discretionary space with regard to the personal responsibility of the professional. This allows him or her to make adjustments where necessary, because practice develops in time within a social-economic context.

*'The essence of professionalism is the ability to make discretionary judgements. The capacity to judge and judge well depends on the ability to make decisions in situations of unavoidable uncertainty when the evidence or the rules aren't categorically clear.'*<sup>4</sup>

Marcel Pheijfer's contribution in this publication takes a closer look at the meaning of 'professional' in conjunction with the concepts of honour, pride, dignity, ethics and judgement.

The concept of professional honour can also be connected with research into the basics of professions and professionalism by the Good Work Project conducted by Harvard University. This elaborate research project ran from 1995 until 2010. The project focused on what it means to carry out 'good work': work that is both excellent in quality and socially responsible at a time of constant change. It led to a broader

<sup>4</sup> Hargreaves, A., Fullan, M. (2012). Professional capital. Transforming teaching in every school. London/New York, Routledge.

framework of what it means to be a professional by intertwining three strands of professional DNA: excellence, ethics and engagement. Interestingly enough, it was the Institute of Chartered Accountants in England and Wales (ICAEW) that embraced the results of this research as a possible DNA structure of the future finance professional, as was done in the book *Artikel 5: De beroepseer van de accountant* (Article 5: The professional honour of the accountant). Martin Martinoff, who runs a project on the future of the audit profession at ICAEW, argues in his contribution that the concept and idea of professionalism needs to be revived and enriched.

### **On other contributions to this publication: notions on the position of the practitioner**

Arnoud Aikema's chapter, which bears the title 'From independent practitioner to conglomerate', takes a closer look at developments that have taken shape in the accounting profession and whether those developments have influenced trust in the sector. The main conclusion to be drawn is that the development of accounting firms into financially-led service providers has not been an ethically neutral one. Most accountants are conformists, so says Marlies de Vries in her contribution. Conformists accept the mores of their profession and do not question why things are done a certain way. However, problems in accountancy can only be overcome by professionals who have a critical mindset and who dare to question. She explicitly invites you to let the rebel in you come out!

The results of the research done by Therese Grohnert, Wim Gijselaers and Roger Meuwissen suggest that the auditing profession can benefit from making more use of all the in-house experience firms have at their disposal. This offers good prospects for learning from these experiences and turning them into knowledge that can be applied on the job. Firms can make structural changes in their processes to enable managers to stimulate knowledge sharing, while also implementing minor interventions that enable auditors to learn to look critically at aspects of their work. Young professionals often play a key role in coordinating and performing audit engagements. In the essay written by Lars Zwagerman and Arthur van Bemmel, they therefore take the young professional's perspective on several auditing case examples to show just what it is that makes opening up about errors so hard.

In this publication, you will also find out about typical Dutch habits. This ranges from our lunch culture to the bicycle as a means of transportation. We also spoke with foreign auditors to ask what they think is most characteristic of our country. But first, we dive a little deeper into our auditing tradition.



## Two names you need to know: Pincoffs and Limperg

Dutch auditing has a rich tradition. In 2020, the NBA, the professional body for chartered accountants in the Netherlands (*Koninklijke Nederlandse Beroepsorganisatie van Accountants*) reached the respectable age of 125 years. Of course, many influential people were travellers on this long journey. But who should you know, at least? In this article, the limelight will be focused on two Dutch persons who had a huge impact on the auditing profession. If you start working as an auditor in the Netherlands, you will almost certainly run into their names. I reckon it will be good to know something about them. We're talking about Lodewijk Pincoffs and Theodore Limperg. Pincoffs ran a major fraud scheme which led to the establishment of the external auditor. Limperg is commonly viewed as one of the founding fathers of Dutch auditing and accounting. Let's have a look at their major undertakings.



### Lodewijk Pincoffs: from millionaire to tobacconist

Let's start with an important conclusion. The so-called Pincoffs-affair is often viewed as the event that caused the birth of the external auditing profession in the Netherlands. However, the affair was merely the tipping point, it was the straw that broke the camel's back. At the end of the 19th century, the time was ripe for an external auditor checking company financial statements. But already in the 1700s, a century earlier, similar tendencies were present that didn't persist: external audits took place, but not by external parties who did this professionally. The emergence of a specialized external auditor was the result of economic progress and the advance of public limited companies. And formal supervision of accounting became inevitable. Trust alone was no longer enough. The Pincoffs affair provides strong proof for this development. However, even without the affair, the professional external audit of financial statements would undoubtedly have come into existence.<sup>2</sup>

<sup>1</sup> Luc Quadackers is the owner of Margila. This article is based on two of his articles in *Accountant*, the journal of the NBA. Please refer to these articles for the references used.

<sup>2</sup> Interestingly, the *Nieuwe Afrikaansche HandelsVennootschap* (the New African Trade Company, the successor of the problematic AHV, to be discussed below) appointed a statutory auditor: B.P. van IJsselstein. In his book on the history of auditing in the Netherlands, the author Johan de Vries calls him (sort of) the first external auditor in the Netherlands.



### **Pincoffs' early business sense**

Lodewijk Pincoffs was a descendant of a family of hard-working Jews, who fled from pogroms in Russia, to Poland and Germany. Pincoffs' father ends up in Rotterdam at the age of 16, and becomes a successful and wealthy businessman. In 1827, Lodewijk is born, as the ninth and youngest child. He receives a high-quality private education in Rotterdam and Germany. Already in 1849, he starts a factory in textile dyeing, together with his cousin Henry Kerdijk. Among other things, they trade in common madder, a red pigment made out of the roots of the plant *Rubia Tinctorum*. Pincoffs is successful from the start. He has unlimited energy, an endless assertiveness and a high sense of superiority. In short: business needs to be expanded!

### **African expansion**

Pincoffs, Kerdijk and their financiers are hesitant to move in the direction of the upcoming synthetic dyes. Therefore, they go into 'bigger business'. They buy several factories in Africa. The factories are located in largely unknown territory. Kerdijk's brother is the linking pin. He travels back and forth. Through bartering they acquire palm oil, palm kernels, peanuts, ivory, rubber, litmus, cocoa and coffee. They exchange these for mirrors, rifles, gun powder, pottery, salt, cotton and liquor. Brother Kerdijk develops a network of factories and points of support. Unfortunately, he dies from malaria in 1860. Then, the trouble starts.

### **The Netherlands in the meantime**

Meanwhile, Pincoffs doesn't sit still. Next to his businesses, he is intensively involved in politics, charity and education. He has an almost untouchable influence in Rotterdam. Looks, power, money and his indispensability are important to him, but he is also generous and helpful. He is a member of the Rotterdam city council for

17 years. He is a visionary and believes in the renewal and growth of the city. He is one of the people responsible for the expansion of the railways and the development of the harbour. When things get stuck, he solves the problems with his unconventional ideas. The thriving harbour opens up new business opportunities for Pincoffs. To this end, the N.V. *Rotterdamsche Handelsvereeniging* (RHV) is founded in 1872, with a capital of 15 million guilders. The capital is used, among other things, for the expansion of the harbour and trading activities. It's a huge project.

### Downturn in Africa

As said, with thanks to brother Kerdijk, African business has developed well. After his death, however, things go downhill. Funds have to be attracted from the early 1860s onward, to keep the fleet up to standard. This involves substantial amounts of money. The ships and products serve as collateral. Nine prominent figures join the limited partnership *De Afrikaansche Handelsvereeniging* (AHV) in 1863, which then consists of 50 establishments. The silent partners provide 450,000 guilders. More and more money is being invested and the number of silent partners rises to 11. Interest and dividends are high, on average 10 percent. Nobody realizes that 'they were robbing Peter to pay Paul'.

### Disastrous accounting

In 1868, the limited partnership is converted into a public limited company, the N.V. *Afrikaansche Handelsvereeniging*. The registered capital of the N.V. is four million guilders. Business seems to be going well, but in reality, no profit is made at all. The accounting system is disastrous. The value of buildings and ships cannot be determined and the size of the goods in stock is unclear. All trade is summarized in one balance figure, in which, among other things, the sales are already recognized when the goods are shipped. In fact, the reported gains are losses. Nobody notices, not even the independent directors. Pincoffs and Kerdijk are losing control of the company. There is too little growth, too little money is flowing in and more and more loans are needed. Moreover, there is an impressive coming, going and sinking of ships.





### Dutch downturn

Despite the losses, Pincoffs and Kerdijk continue with their grand plans. They offer high dividends to mislead the public. The deception and the path of falsifications have now really begun. From a certain point on, even the RHV starts to buy shares of the AHV. The whole business is basically a Ponzi scheme, where new money is used to pay existing lenders. Pincoffs is also trying to make a quick buck through speculation, to keep things going. The independent directors think things are going well. They are of good faith and the shareholders are happy with their high returns. But the situation is becoming untenable.

### The moment of truth

On 1 April 1879, Pincoffs receives a note from a friend: moneylender and independent director Marten Mees. Mees has discovered that short-term loans are now being drawn in London and Paris. He is deeply concerned about the financial health of the AHV and the RHV, together with some of the partners. Pincoffs partially confesses that there are problems, but continues to lie. He still understates the debt. The six following weeks are used to save what can be saved. New lenders are being sought. It is mutually agreed upon that the general public should not know about the painful issues, because emergency funding will then fail. Despite all efforts, the rescue operation is useless.

### On the run

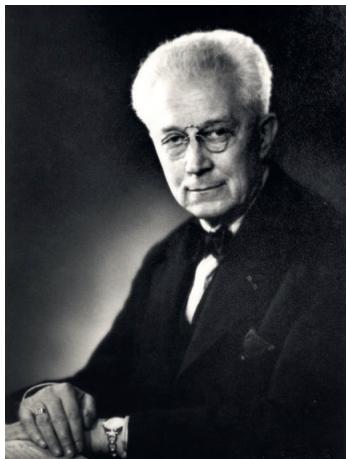
Pincoffs escapes to Brussels with his wife and children in May 1879 and then flees to New York, since there is no extradition agreement between the Netherlands and the

United States. At the end of May, the Pincoffs family arrives in New York, penniless. Well, they have 600 dollars left. Much effort is made to have them arrested, to no avail. Nearly 10 million guilders have evaporated (the value of which is now way above 100 million euros). The national and international consequences are enormous.

### **After the storm**

Pincoffs starts a cigar shop in New York and tries to become a journalist. It all comes to nothing. For him and for many others, the adventure ends in a deception. Yet, Pincoffs' efforts have also done a lot of good, for example for the city of Rotterdam. As Bram Peper, former Mayor of Rotterdam said: 'you need failures every now and then, to get ahead...'

And Pincoffs' failure was also the catalyst for the rise of the external auditing profession, of which Theodore Limperg was one of the founding fathers.<sup>3</sup>



### **Theodore Limperg, a founding father of the Dutch auditing profession**

Theodore Limperg is born in the year that Lodewijk Pincoffs arrives in New York. Unlike Pincoffs at that moment, Limperg has an extremely fruitful future ahead of him. Limperg might very well be the most mentioned Dutch auditing theorist in the Netherlands, as well as abroad. He was an idealist pur sang and his contribution to the Dutch auditing profession is unprecedented (and maybe even unparalleled, in terms of theory). A brief anthology.

### **The early days**

After finishing school, Limperg works for several years at the *Nederlandsche Handel-Maatschappij* and the German electricity company *Helios*. Among other activities, he's 'keeping the books'. In 1899, he starts military service and in 1900 he commences working as an assistant accountant for the eminent J.G.Ch. Volmer. In 1901, they form a partnership together. So, Limperg is already a partner at the age of 22. He is a partner of several audit firms until 1922 (including one with his brother Louis from 1916–1922). Interesting detail: when Limperg first joins a partnership, he has not yet completed the accountancy study and is formally even under age (the age limit is 23 years at that time)!

<sup>3</sup> By the way: there is a bronze statue of Pincoffs in Rotterdam, located at Halfvond 78.



### Excellence in accountancy

In 1904, Limperg successfully passes his exam to become an auditor, at the *Nederlandisch Instituut van Accountants* (NIvA, the Dutch Institute of Accountants). The NIvA is the oldest and largest organization of a handful of accountancy associations. But Limperg is critical of their examination and, according to him, the quality of the accountants leaves much to be desired. Limperg's goal is to increase the status of the auditor to a higher level by raising the required standards. However, his critical attitude is not appreciated by the NIvA establishment, which leads to a separation in 1906. Together with some fellow dissenters, Limperg starts his own association: the *Nederlandse Accountants Vereeniging*. There, Limperg can give free rein to his ideals. This results in a strict and well-organized code of conduct, disciplinary board and a solid system of examination.

Time heals all wounds, apparently, because in 1919 Limperg's association is incorporated into the NIvA, under Limperg's conditions. It becomes the strongest and best-organized association of accountants. Limperg plays an important role in the exam office and in various committees.

### Business economics in college

Limperg is a great advocate of founding a faculty of economics at the *Gemeentelijke Universiteit van Amsterdam* (Municipal University of Amsterdam). It gets off the ground in 1922 and Limperg is asked to become a professor of Business Economics and to lead the department. He then quits working as an audit partner. Limperg will remain a professor until the end of his employment in 1950.

In 1929, a post-graduate auditing education is added to the university curriculum. Limperg thinks this is a logical extension. According to Limperg, knowledge of business economics leads to a deeper understanding of an auditor's clients. Auditors can thus better assess the audit risks and give better advice. Also, according to Limperg, no one is better equipped to conduct business economic examinations than auditors, due to their broad and in-depth knowledge of business.

### Theory of business economics

One of Limperg's ideals is to build an integral scientific theory of business economics. He sees business economics as a seamless part of general economics. According to him, the economic motive (the strive for prosperity) is the only correct way to explain business economic phenomena. In this context, he positions his interpretation of, among other things, the replacement value (accounting) theory and his famous *Leer van het gewekte vertrouwen* (theory of 'inspired confidence').

### Replacement value theory

The economic motive requires a proper weighing of costs and benefits. To this end, Limperg considers it to be important that an owner knows what the value of a good is. This implies that the valuation at historical cost of goods must be adjusted regularly. The idea of revaluation to the lower of yield or market value stems from Austria (Carl Menger). Limperg builds on that idea, just as American, Australian and British researchers will do later. His ideas play an ongoing important role in the development of Dutch rulemaking.

### The theory of 'inspired confidence'

Separation of leadership and ownership, as well as specialization, creates a trust industry. By adding a signature, the auditor, as an independent expert, adds reliability (and hence: value) to the statements of management. This fits with Limperg's idea of a complete theory of business economics. The trust that the auditor adds is an intermediate product, an essential ingredient in the allocation of resources, production process and output. The lack of an audit, or trust in an audit, would lead to a social and economic loss. Limperg views trust as the essence of auditing. The auditor is society's confidant. Therefore, trust is the starting point for the work that the auditor must perform. That leads to his theory of 'inspired confidence'. Limperg's goal is to let this theory serve as a framework for developing standards for auditors.

Limperg (*a rather wonky translation from his theory*): '*The normative core of the theory of inspired confidence is this: the auditor is obliged to perform his work in such a way that he does not betray the confidence that he instils in a sensible layman. Conversely, the auditor*



*may not raise expectations greater than justified by the work performed.’ Another important section: ‘The theory therefore requires the auditor to determine in each particular case what expectations he arouses; that he is aware of the substance of the confidence that he arouses in the fulfilment of each specific function. To this end, it is necessary that he understands the factors that determine the trust.’*

By the way, in 2004, Douglas R. Carmichael, then Chief Auditor of the PCAOB, paid close attention to Limperg’s theory, to support its policies. But he did classify the translation of Limperg’s theory as ‘a rather clumsy sounding English translation of the Dutch’. A discussion started by Jules Muis on Accountant.nl led to the following alternatives: theory of created confidence, theory of generated expectations, theory of rationalized expectations, the principle of rational expectations, the doctrine of good faith, the theory of given good feelings and the doctrine of public trust. Muis concludes with ‘the mutual trust doctrine’. What is the best translation, according to you?

### A few more feats

Only the best is good enough for Limperg. He strives for perfection in everything he does and is convinced that it should be done the way he wants it to be. This leads to strong reactions. He creates supporters as well as enemies. Some view him as dogmatic and rigid. However, his followers have referred to him as ‘the great master’ and see themselves as his disciples. Despite his alleged whims, many praise his warm interest in others and concern for social issues.

From 1903 to 1924, as an editor, Limperg used the journal *Accountancy* as a show-

case for his ideas about auditing, techniques, ethics, training and the legal anchoring of the profession. After a conflict with the publisher of *Accountancy*, Limperg started the journal *Maandblad voor Accountancy en Bedrijfshuishoudkunde* in 1923 (which currently still exists under the name *Maandblad voor Accountancy en Bedrijfseconomie*).

Limperg was an outspoken opponent of the German measures within the university, in World War II. He was also a great supporter and inspiration for the student resistance. As a result, Limperg had to go into hiding in 1943. His son Koen was executed by the Germans in 1943 for involvement in the attack on the Amsterdam Population Register.

Limperg also performs a lot of consulting for government and private sector, for example on reconstruction, pensions, regulating the auditing profession and developing accounting legislation. And he remains an advisor to one of the audit firms where he was a partner, until a late age.

We can go on like this for a few more pages, but hopefully the gist of the story is clear. Limperg has elevated the auditing profession to a higher level, both practically and theoretically. He deserves not to be forgotten.

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## Mind the bike!

Cycling is a very common means of transport in the Netherlands. The high frequency of bicycle travel is enabled by excellent cycling infrastructure with a growing number of fast bike routes. You can rent bikes at train stations all around the country (OV-fiets). In many cities, you can also rent bikes for a fixed price per month: they provide you with a bike (with a blue front tire) and cover all repair costs. The bikes are very popular with students. We even have a Dutch cyclist union. It campaigns for better cycling conditions.

Dutch people together bike 15,000,000,000 km per year.

That is approximately 880 km per person.

An average Dutch person cycles 267 times a year.

There are 22.8 million bikes: 1.3 bikes per person.

The busiest cycle paths in the country are located in the city centre of Utrecht.

Since the COVID-19 pandemic, people have invested in electrical bikes (1.8 million) to avoid public transport.

**'If you would have told me that I wouldn't own a car or a truck?  
No way.'**

**'Mind the gap? Here it is "mind the bikes!"'**

**'I found it amusing. Everyone has a bike. From little children to the prime minister.'**

**'Having a bicycle gives you freedom. But it also means that you no longer have an excuse to be late for a meeting.'**



## Here to stay

For this article we conducted five group interviews with auditors coming from places all over the world. Different personalities, with different educational backgrounds, from different continents, but united by one similar step in their personal and professional lives: they all came to the Netherlands to work in auditing. Just as you are perhaps planning or considering yourself. To make this future step a little easier, these auditors shared a lot of information as well as good stories on living and working in the Netherlands. They talk about appreciating the international environment, enjoying cultural differences and blending in new surroundings. About dealing with bikes ('watch out when crossing the street'), surviving Dutch lunches (same warning but then for 'drinking karnemelk') and the famous change of the weather by having four seasons (main message: make a run for the sun when it does shine). You can read more about their experiences on specific themes and through portraits of individual auditors throughout this publication.

When you come to the Netherlands, you are at serious risk of staying here for a much longer period than you might be thinking of right now – because many auditors who once came to work in the Netherlands for a short period have chosen to stay long-term. Bilgen Yildiz, for example, arrived nine and a half years ago from Istanbul, Turkey and became attached to the country, as did Stephanie de Groot-Reed; though she has decided, after being here for nine years, to return to her home state of Wisconsin in the United States. She will be accompanied by her Dutch husband and their two kids.

So what reasons did these auditors have to look for a job outside their home country in the first place? Well, most of them were seeking the thrill of a new adventure and were quite determined at some point in their professional lives to go abroad and experience a different environment. Some even thought of that very early in life by choosing an education that would allow them to work all over the world, as auditing does. Others took part in a mobility or rotation programme offered by their firm or had specific knowledge or experience with a client which led to an invitation to come over and work in the Netherlands.

The Netherlands was high on almost every auditor's lists as a candidate country to live and work in. 'Travelling to Europe seems very mysterious', as Kristopher Powell, from Texas, formulates it. From his American point of view, the central location of the Netherlands makes it extremely easy to travel and visit other European countries. And, so he adds, the fact that his wife could get an expat work permit made the choice an easy one. Other conditions that were of importance in choosing the Netherlands mentioned by the auditors were more work-based: being able to join international teams, serving global clients and seizing career opportunities in specific industries, as well as very personal conditions like looking for a fun or even happy country to live in, with a well-developed cultural scene.

Some auditors expected to work in a Dutch team. And many years ago, that probably would have been the case. But that too has changed, because the number of expats has increased rapidly. And things have really developed. A few years ago, you could be 'that Turkish lady' or one of the three auditors from the US at the office. Now you have onboarding programmes, a buddy or a mentor, and all the communication within the bigger, internationally oriented firms is in English. The teams that operate on an international level are now also very diverse. For example, at the Amsterdam office of PwC there are people with 49 different nationalities. Everyone brings interesting things to the table. And of course, it is helpful when you are dealing with a Ukrainian client to actually have Ukrainian colleagues to whom you can turn to clarify Ukrainian tax law.

### A good work-life balance

The auditors we interviewed are quite unanimous in describing the advantages of working in the Netherlands. First of all, there's a good work-life balance compared to the countries where the auditors came from originally. A good example of how this balance is maintained: it is okay to say 'no' to more work. 'Nobody will hold it against you when you say no', says Ignus du Preez, from South Africa. And if extra work needs to be done, be aware that you talk about this with your team in advance so they can make arrangements in their agenda and at home. There's a lot of care for your personal well-being as well. Alessandra Zefferino from Italy: 'When first I came to the Netherlands the Dutch habit of planning everything was a nightmare to me. Now I appreciate the benefit of it: it makes life easier, more stable and balanced.' As Stephanie de Groot-Reed observed: 'Dutch people don't talk much about their personal lives, so you can actually hear one week upfront that someone in your team is getting married, but at the same time people are very attached to their personal time.'

### Opinions are valued

Secondly, the Dutch working environment functions with a very flat hierarchy, which leads to really good discussions. Your opinions are valued regardless of the level on which you work. ‘Say what you want to say in the professional environment, that is something that is appreciated’, according to Clinton Kotze, who is from South Africa. You might come from a culture where it is not done for an associate to talk to a partner. Hernan Sanchez explains that ‘in Argentina it’s not very common to talk to higher levels, but here it’s common to see a partner coming in and involving everyone in the discussion.’ This more fluent and somewhat direct style of communication helps improve the quality of the decision-making. Firms have also chosen to open up work spaces to create a safer learning environment, which kind of ties in with this way of communicating. You should feel invited and comfortable in bringing up issues which are important to share among the team. Clinton Kotze describes it as follows: ‘You might feel a bit shy to speak out at first. But I would like to encourage newcomers to speak their mind. In the worst case, you will learn something!'

But how about the infamous Dutch bluntness? Aren’t the Dutch notorious for being awfully honest? Auditors did have to get used to that. But they also make haste to get past this generalization. Yes, there is a direct style of communication, but this ‘no beating around the bush’ is something you learn to appreciate as you work and live in the Netherlands longer. You don’t have to doubt where someone stands. That’s also why people appreciate it when you take a stand yourself in a discussion, based on arguments. And as Bilgen Yildiz sees the Dutch candidness: ‘This way of doing things really syncs with my personal values.’ Nevertheless, Dutch people should be more aware of others’ preferred style of communication when it comes to more sensitive subjects. Empathy can be helpful to keep it balanced.

### A highly demanding environment

A third important point, which connects to the urge to create an environment where one can learn from mistakes, is that you should be aware of the fact that the Dutch auditing profession has been and still is under a magnifying glass. On the one hand, it has come under public scrutiny, and on the other hand under that of the regulatory authority. For example, the audit industry has gotten a lot of attention in the Dutch press. In other countries, it is not very common to read about audit firms in the financial papers. In the Netherlands, there is a lot of coverage in the news regarding the functioning of auditors. This creates a strong focus on performance in a highly demanding society. This performance gap is something auditors can appreciate, because constructive criticism challenges you to aim higher. It’s different when it comes to the expectation gap: that can lead to a loss of motivation, because everyone has comments. This sometimes feels a bit off balance.

### A highly qualified profession

Many of the auditors we spoke to are studying to become a Registered Accountant (RA). Becoming ‘a true RA is like the holy grail of the profession’, as Ryan Kuss from Australia puts it. It is the qualification you need if you want to progress in your career. ‘I am Australian. When I came to the UK, it was a clear process to become a registered auditor, because that was agreed between member bodies. The Netherlands doesn’t have these processes yet.’ And if you are aiming to become a partner, it is kind of a requirement. The route to become an RA is not a very clear one yet or, as someone put it, is ‘a black box’.

It depends heavily on where you come from. As a citizen of the European Union, it is easier to achieve than when you come from a different continent. The Royal Dutch Association of Chartered Accountants works together with the Ministry of Finance to get regulations aligned for non-Dutch citizens and to give clear guidance in the future on the steps you have to take to become an RA. Aylin Beydemir: ‘This is good news. By embedding foreign auditors, you retain these talents.’

## Biggest accountancy firms in revenue and FTE (2019)

	Annual Revenue (€ mln)	FTE
1 Deloitte (2019/20)	1,015.50	6,455
2 PwC (2019/20)	949.8	5,315
3 EY (2019/20)	905	4,743
4 KPMG (2018/19)	530	3,563
5 BDO	293.8	2,432
6 Flynth	141.5	1,283
7 Mazars (2018/19)	111.8	880
8 Baker Tilly	96.1	714
9 Accon avm	90.3	873
10 Alfa	87.2	823
11 De Jong & Laan	69.2	541
12 Grant Thornton	64.4	479
13 ABAB	60.1	619
14 RSM	60	424
15 DRV	59.2	491
16 Crowe Foederer	51.4	376
17 Countus	47.5	430
18 MTH	41.3	362
19 Witlox Van den Boomen	36.9	279
20 Van Oers	35.8	307

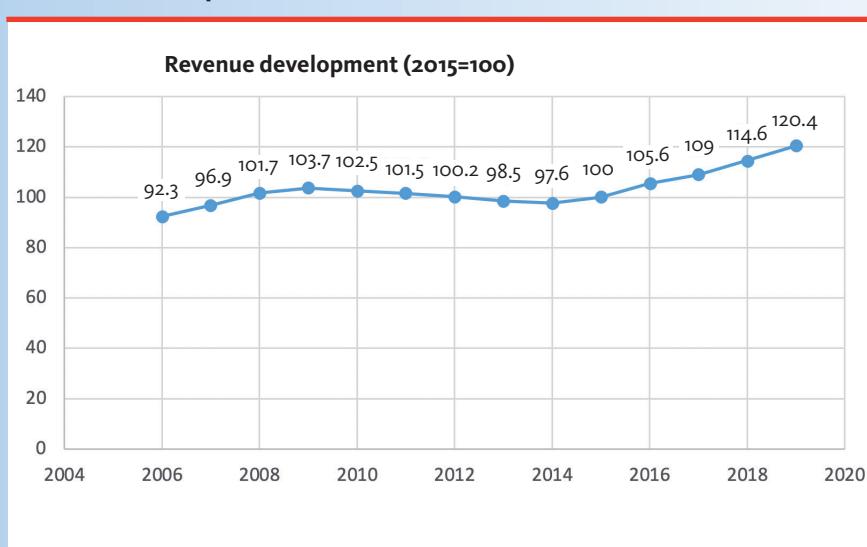
Source: <https://www.accountant.nl/feiten-en-cijfers/top-30-accountantskantoren-nederland/>

## Most wanted financial expert jobs (2019)

Most wanted financial expert jobs	%
Assistant accountant	32.6
Business controller	12.6
Financial controller	11.9
Controller	10.6
Accountant	7.3
Administrator	6.8
Assistant-controller	5.3
Project controller	3.3
Risk manager	3.2
Compliance manager	2.5
Auditor	1.8
CFO	0.8
Manager internal audit	0.2

Source: <https://www.nba.nl/dashboard/mens/op-zoek-naar-talent-de arbeidsmarkt-voor-accountants-in-cijfers/>

## Revenue development



Source: <https://www.accountant.nl/feiten-en-cijfers/>



## Clinton Biggs

Manager Audit, Baker Tilly Amsterdam

Nationality, place of birth: Free State, South Africa

“

### Educational path

'I was educated in South Africa. I chose a full part-time educational path. This meant that I fully completed my studies in the evenings and over weekends. I worked for Moore Stephens for six years, and left as an assistant manager. After that I joined CaseWare Africa where I worked for two years in various positions, mainly focused around a specialist role in development of the audit templates (both international and local) as well as advising on the IFRS financial statement templates. In early 2018, I joined Baker Tilly Amsterdam as a Jr Manager.'

### What is the biggest difference between working in your home country or any other country you worked and the Netherlands?

'In the Netherlands there is a shortage of auditors, which means clients are more concerned with keeping the auditors happy, whereas in South Africa there was a surplus of auditors, which meant that the auditors were more concerned with keeping the clients happy.'

'At the start of a relationship the communication with clients is very formal, but it tends to relax as time goes on. The communication is always very direct and to the point. In my opinion, Dutch auditors prefer verbal communication over written communication< which leads to a lot of calls and discussions.'

### Why the Netherlands?

'The main reason for moving to the Netherlands was the abundance of opportunities and the search for a better life. Another major reason was safety and freedom, as South Africa is considered to be quite a dangerous country.' ”



## Clinton Kotze

Assurance Senior Manager, PwC

Nationality, place of birth: South African, Evander

“

### Educational path

‘My educational path started with five years of Accounting as a subject in high school, after which I grew an affinity towards the science. Then I embarked on my seven-year journey to become a South African Chartered Accountant, consisting of a Bachelor degree – Baccalaureus Commercii (Accounting) – followed by a post-graduate Honours degree Baccalaureus Commercii Cum Honoribus (Accounting: Chartered Accountancy). Finally, I did a three-year traineeship with an additional mandatory postgraduate diploma, two board examinations and continuous development of technical and professional competencies at PwC South Africa.’

### What is typical for the Dutch way of working?

‘It has probably been said before, but the culture in the workplace is not hierarchical. Say what you need to say in the professional environment, that is appreciated.’

**What are the most important tips & tricks you have for your fellow professionals who are just starting in the Netherlands?**

‘Newcomers are often a bit shy. Not everyone dares to speak out in the beginning. That is a shame, because open conversations help a lot. So don’t be afraid, the worst that can happen to you is that you learn something.’ ”



## From independent practitioner to conglomerate

'A curious phenomenon in the evolution of our profession is the emergence and gradual expansion of accounting firms – organisations by means of which a steadily growing number of accountants are practising the profession under a single, joint name and presenting themselves as a single body. Curious, because the personal element that should generally be deemed such a significant factor in the profession is being relegated to the background, and the concrete notion of "the accountant" superseded by the more abstract "accounting firm"; no longer is trust invested first and foremost in particular individuals – this being the lifeblood of professional practice – but in an organised labour force by which the professional task is completed in accordance with a particular system and particular conceptions.'<sup>1</sup>

'Trust as lifeblood' is a vivid motto for a profession that as of 2017 is facing a great deal of scepticism on the matter of public trust. For Reder, writing the above quote almost one hundred years ago, trust was an important premise for the accounting profession. This chapter takes a closer look at developments that have taken shape in the accounting profession and whether those developments have influenced trust in the sector. The main conclusion to be drawn is that the development of accounting firms into financially-led service providers has not been an ethically neutral one.

### Developments

To get to grips with the current state of affairs in accountancy, it helps to shed some light on three key developments in the hundred-plus-year history of the accounting profession. These are: the growth of revenue, the proliferation of services and the rise of the firm.

<sup>1</sup> Reder, H.R. (1924). 'De Firma-vorm voor de uitoefening van ons beroep'. *Maandblad voor Accountancy en Bedrijfshuishoudkunde*, 1(6), pp. 97–99.

## From independent practitioner to conglomerate

One principal development is that, over the years, accountancy has emerged as a flourishing sector, with revenues continuing their upward trend last year.<sup>2,3</sup> During its still relatively short existence of just over 125 years, accountancy has undergone turbulent development to become a sector of real economic consequence. Revenues are comparable to those of the larger clients it serves, both in the Netherlands and around the world, and accounting firms are major employers for professionally and academically trained graduates embarking on careers in professional services.

Alongside growth in revenues and scale, a second development in the accounting sector has been the expanding scope of the profession. First, to the compilation and verification of financial statements, and then, particularly after the Second World War, to the provision of all kinds of advisory services based on the accountant or auditor's knowledge of their client's business operations. This included consulting on the automation of large accounting systems in the 1950s, for example, and the big business in tax advisory services.

A third development concerns the forms of collaboration accountants have developed to work together and with other consultants. Just how diverse these forms are is demonstrated by the breadth of accounting services to this day. These collaborations manifest, for instance, in working under a shared name, serving the same clients,<sup>4</sup> sharing facilities (marketing, support services, offices and so forth) and operating under a single management. And underlying these outward features is an extensive integration of ideas and concepts about how clients should (or ought to) be served and how an accounting organisation<sup>5</sup> ought to be run. These firms have tailored their business models and strategies to respond to their clients' challenges. From the personal trust Reder extolled in 1924, it is a tremendous step to the strategic technology priorities the Big Four accounting firms are setting now, in 2017.<sup>6</sup>

This chapter discusses several aspects of this latter development: the rise of the accounting firm.

<sup>2</sup> ‘Top 30 accountantskantoren: Omzet weer op niveau 2009, wel winnaars en verliezers’. *Accountancy Vanmorgen*, 15 September 2017 (<https://www.accountancyvanmorgen.nl/2017/09/15/top-30-accountantskantoren-omzet-weer-op-niveau-2009-wel-winnaars-en-verliezers>).

<sup>3</sup> The term ‘accountancy’ refers to a wide array of services offered by accounting firms. For further discussion of the terms ‘accounting firm’ and ‘accounting organisation’, see the applicable laws and regulations.

<sup>4</sup> Accounting independence rules became very strict several years ago, precluding the convergence of audit services and advisory activities for particular client categories.

<sup>5</sup> The remainder of this chapter uses the term ‘accounting firm’ to refer to an organisation of accountants and consultants working together within a firm licensed to conduct statutory audits (under the Dutch Audit Firms Supervision Act [*Wet toezicht accountantsorganisaties*]).

<sup>6</sup> See for example the Big Four’s global annual reports.

## Article 5: the professional honour of the accountant

### From profession to organisation

The difference between Reder's world in 1924 and the accounting world today mainly has to do with the significant role accounting firms have acquired by virtue of the work they do. In the Netherlands, recognition of this role is codified in the Dutch Audit Firms Supervision Act (*Wet toezicht accountantsorganisaties*, abbreviated Wta).<sup>7</sup> Crucially, this law designates the accounting firm as having a duty of care towards the accountants whom it employs or who are affiliated with it.<sup>8</sup> This effectively constitutes an acknowledgement of how accounting firms have evolved from independent practitioners working together into conglomerates of professional service providers.

Reder writes about what he calls a 'curious development': '*Curious, because the personal element that must generally be deemed such a significant factor in the profession is being relegated to the background, and the concrete notion of "the accountant" superseded by the more abstract "accounting firm".*'<sup>9</sup> Looking back, part of what makes this so curious is that accountants continue, even now, to be appraised primarily on an individual basis. We see this in disciplinary proceedings, for example, which are concerned with the professional conduct of individual accountants, and also in the 53 measures (and explanations thereto) drawn up by the Future of Accountancy (*Toekomst Accountantsberoep*) task group in 2014, a number of which are directed at the individual accountant.<sup>10</sup>

### 'They don't get it'

This shifting orientation between individual and organisation is significant. In a spirited talk at a meeting of the American Accounting Association (AAA) in 2003, Arthur Wyatt described how the rise of the firm has influenced individual practice.<sup>11</sup> Wyatt, who had been president of the AAA in 1991–1992 and a partner at Arthur Andersen & Co., traced how accounting firms have changed over the years. He cited a number of reasons for those changes:

<sup>7</sup> A law of 23 February 2006 in essence providing that accounting firms may be licensed to carry out statutory audits. Compliance with the licensing requirements is enforced by the Authority for Consumers and Markets (AFM).

<sup>8</sup> Wta, Article 14, in conjunction with Section 3.2. For more on this, see the blog and comments on [www.accountant.nl](http://www.accountant.nl) by M. Pheijffer, titled *Artikel 14 Wta: Zorgplicht*, 29 March 2016 (visited September 2017), <https://www.accountant.nl/opinie/2016/3/artikel-14-wta-zorgplicht/>

<sup>9</sup> Reder, 'De Firma-vorm voor de uitoefening van ons beroep'.

<sup>10</sup> Werkgroep Toekomst Accountantsberoep, *In het Publiek Belang*, report published September 2014. Amsterdam: Royal Netherlands Institute of Chartered Accountants (NBA).

<sup>11</sup> See Wyatt, A.R. (2003), *Accounting professionalism: They just don't get it!*, speech at the AAA Annual Meeting in Honolulu, 4 August 2003.

## From independent practitioner to conglomerate

- Starting from the 1960s, independent consulting practices (not involved in audits) within accounting firms began to account for an increasing share of the revenue. The advent of computers was a catalyst for a massive expansion in the range of advisory services offered, far beyond even the administrative services linked to accounting. This new range of services created demand for staff with backgrounds outside accounting, some of whom also eventually went on to become partners at the firm of Arthur Andersen & Co. (but who had no specific knowledge of accountancy).
- The financial success of consulting practices within accounting firms rippled out to influence entire organisations and thus also the behaviour of the partners in charge of audits. As Wyatt notes, '*The success in the consulting practice increasingly influenced behavior by auditing and tax leaders, and the impact of these behavioral changes gradually affected the behavior patterns of audit and tax personnel as well. Improved profitability became the key focus.*'<sup>12</sup> As the November 2002 issue of *The Economist* – in a response to the demise of Arthur Andersen & Co. – put it: '*One of Andersen's faults was the unresolved conflict of interest between its auditing and its (faster-growing, higher-margining) consulting business.*'<sup>13</sup>
- As consulting practices grew, so did their influence on accounting firms' core values and standards, at the expense of the objectives and procedures guiding audit practices. A key objective undermined in this way was the independence (both actual and apparent) that is fundamental to the work of the auditor but irrelevant to that of the consultant.
- The role and influence of consulting practices on accounting work was never seriously raised with regulators, however, because the firms themselves were against it. Their managements ignored the fact that their consulting practices were jeopardising auditor independence and changing their organisational culture. '*In essence, the cultures of the firms had gradually changed from a central emphasis on delivering professional services in a professional manner to an emphasis on growing revenues and profitability.*'<sup>14</sup>
- This cultural change (towards an emphasis on revenue and profit growth) pushed accountants to assess risks differently, in favour of maintaining revenue (instead of, say, quality or independence).

<sup>12</sup> Wyatt, *They just don't get it!*

<sup>13</sup> *The Economist* (28 November 2002), 'Corporate America's woes, continued', p. 64.

<sup>14</sup> Wyatt, *They just don't get it!*

## Article 5: the professional honour of the accountant

Wyatt wrote his analysis as an insider. From a career in academia, he'd been a partner at Arthur Andersen & Co. for years before the firm folded in the aftermath of the Enron affair, in which it was actively involved.

### The moral accounting organisation

According to Wyatt, the developments outlined above in terms of growth, expansion and organisational change have had an important consequence. They are changing the culture. A 2005 study by the SMO (a Dutch centre for knowledge on enterprise and society) characterised this as a transformation of professional partnerships into business-driven professional organisations. Drawing on a wide range of research (mostly academic), this study also cited work by Lord and DeZoort from 2001 on the effects of social pressure on accountants' decision-making.<sup>16</sup> Based on their research, the authors concluded that accounting firms themselves exert a dysfunctional pressure on their accountants, to the extent that the individual accountant no longer seems to be guided by any kind of moral compass: '*The predicted effect for moral development did not emerge for any of the experimental conditions.*'<sup>17</sup>

Plenty has been written about the threat clients pose to accountants' independence, and there are laws and regulations that address this. The Netherlands, for instance, has one regulation that specifically concerns the accountant's independence vis-à-vis engagements and clients. The history Wyatt described is precisely why we need to shift focus to the relationship between the individual accountant and the firm for which they act.

The authors cited are not alone in their calls to consider the role organisations play in the evolution of professions, in this case with respect to accounting. In his book *Moral Mazes*, Robert Jackall details his own research into the workings of professional organisations,<sup>18</sup> zooming in on the behaviour of managers in what he terms this 'bureaucratisation of the economy'. In large organisations, Jackall sees a strong workforce commitment to higher management and executives. '*Only those men and women who allow peers and superiors to feel morally comfortable in the ambiguous muddles of the world of affairs have a chance to survive and flourish in big organizations when power and authori-*

<sup>15</sup> Hoppe, R., Hogewind, S.N. & Ridder, W.J. de (2005). *Zekerheden in de Toekomst. Metamorfose van de accountant.* The Hague: Stichting Maatschappij en Onderneming.

<sup>16</sup> Lord, A.T. & DeZoort, F.T. (2001). The Impact of Commitment and Moral Reasoning on Auditors' Responses to Social Influence Pressure. *Accounting, Organizations and Society*, 26, pp. 215-235.

<sup>17</sup> Lord & DeZoort, *The Impact of Commitment and Moral Reasoning*, p. 229.

<sup>18</sup> Jackall, R. (2010). *Moral Mazes: The World of Corporate Managers*. Oxford: Oxford University Press.

ty shift due to changes in markets, internal power struggles, or the need to respond to external exigencies.<sup>19</sup> Within such an organisational context, the interests of the organisation wind up overriding more general moral and ethical standards. Jackall posits that a trait of big organisations is that employees become cut off from the economic consequences of their actions.<sup>20</sup> This is reminiscent of the amoral universe Joris Luyendijk describes in his book *Swimming with Sharks*, about the world of haute finance in London. In a lecture on 2 February 2016, he summed up his findings about London City firms as follows: 'In colossally big, ultra-complex and highly specialised organisations, individual moral responsibility dissolves'.<sup>21</sup> It's Jackall all over again.

Jackall's and Luyendijk's observations coincide with some of those criminologist Peter Grabosky made in 1992.<sup>22</sup> Grabosky was looking for a way to explain why accountants and other professional service providers fail. He came up with three levels of possible causes: situational factors outside an organisation, factors within an organisation and individual causes. More specifically, for instance, the fragmentation of tasks that acts to distance an employee from the actual consequences of their work (see also Jackall), the expectation that other members of the team will step up to take responsibility, and a profound focus on technique to the neglect of moral considerations.

It seems indisputable that accounting firms, as business-driven professional organisations, have a very real influence on the behaviour of accountants acting in or on their behalf. '*An increase in pressure (...) leads to a decrease in ethical behaviour.*'<sup>23</sup> This finding, drawn from the literature cited, provides a solid basis – or better yet: backing – for the duty of care set out in the Dutch Audit Firms Supervision Act. That this law only came into force in 2006, decades after the first signs of the bureaucratisation of accounting firms and 82 years after Render's complaint that opened this chapter, shows legislation is clearly lagging far behind actual developments, and remains as necessary as ever.<sup>24</sup>

19 Jackall, *Moral Mazes*, p. 237.

20 Jackall, *Moral Mazes*, p. 238.

21 Luyendijk, J. (2016). *De Bergrede*, speech at the Bergkerk in Amersfoort on 2 February 2016.

22 Grabosky, P.N. (1992). 'Professional advisers and white collar illegality: Towards explaining and excusing professional failure'. In *Complex commercial fraud (conference proceedings)* (pp. 73-95). Canberra: Australian Institute of Criminology.

23 Clayton, B.M., Staden, C.J. van, & Lynch, B. (2010). *The Impact of Social Influence Pressure on Professional Accountants' Ethical Reasoning*. APIRA Conference Proceedings.

24 Another example of lagging legislation concerns the drafting of the Chartered Accountants Act (now: Accountancy Profession Act). Work on this bill started well before the Second World War, but it was only signed into law until 1962, and didn't come into force until 1967. The outbreak of the war and its aftermath were major contributing factors, but as we can read in the Dutch 'Political Compendium' (*Politiek Compendium*), the sector also did its best to drag out the regulatory process. See: [www.politiekcompendium.nl](http://www.politiekcompendium.nl), visited September 2017.

25 Boot A.W.A. & Soeting, R. (2003). 'Accountant en machtsverhoudingen in ondernemingsland'. *Maandblad voor Accountancy en Bedrijfseconomie*, 77(1), pp. 31-36.

## Article 5: the professional honour of the accountant

### Conclusion

Boot and Soeting write that '*The accountant has evidently evolved from an independent practitioner whose main intentions are service and trust, to a professional focused on performance, to, finally, a vendor of commercial services.*'<sup>25</sup> This chapter has looked at what this development signifies for the independent thinking of accountants within accounting firms. The effects, according to the literature, are manifested in the sacrifice of the individual accountant's independence to the standards and values of the firm. These organisations are themselves under the influence of a changing world in which revenue and profit growth are deemed essential to fulfilling a role as business partner to clients. However, the accounting profession does not draw its legitimacy from being an advisor or discussion partner, but from its statutory duty to serve a societal need. The question is whether accounting professionals can discharge this duty if the firm for which they work doesn't wish it.

This view on the accounting sector, centring on not the individual accountant but the organisation, has found favour in politics as well, and may open the way to identifying and unravelling several 'wicked problems' in the sector.<sup>26</sup> If that 'unravelling' can furthermore help to restore trust as the lifeblood of the profession, it would also respond to the appeal made by Reder, with which this article began.



## Weather

The Netherlands is situated by the sea and is a very windy country. Because of the flat countryside there aren't many obstacles to break the wind. Most children who cycle to school will tell you that they always have 'wind tegen', which means they have to cycle while the wind is blowing in their face full force. We even have the Dutch Headwind Cycling Championships, which take place at the Oosterscheldekering, a famous storm barrier.

The climate is a moderate, maritime one with mild winters and cool summers. Rain is common throughout the year, which means there is no specific dry season. About a third of the Netherlands lies below sea level, with the lowest point being 6.7 meters below sea level, so flood control, like the Oosterscheldekering, is important.

**'In Buenos Aires, when it rains, it rains. You are not going to walk outside. But here the rains are more like a shower and people keep doing their thing.'**

**'Don't let the weather drive your mood. It's just going to be rainy.'**

**'In short: rain much more often, but less water.'**

**'In many countries the sun is abundant. I took it for granted. So, when the sun does shine, you really should go outside. It's a real thing. Sitting on a terrace, soaking it up.'**



## 'You can't handle the truth'

This contribution takes a closer look at the meaning of 'professional' in conjunction with the concepts of honour, pride, dignity, ethics and judgement. Each conceptual pair is discussed briefly to arrive at an overarching sense of 'professional honour'. This is an important concept for any professional, not least accountants. Laws and regulations are important, too. However, there is a danger that by imposing too many and overly detailed rules, we end up restricting accountants' room to manoeuvre and ability to perform their professional 'craft'. From there, it's only a small step to a compliance-driven culture and climate of fear, ultimately making accountancy less attractive as a profession.

### A few good men

My favourite scene in cinema is in the courtroom drama *A Few Good Men*, and plays out between Lieutenant Daniel Kaffee (played by Tom Cruise) and Colonel Nathan Jessep (Jack Nicholson). Colonel Jessep is convinced he has right on his side because he followed military rules.<sup>1</sup> The lieutenant, a lawyer, leaves no stone unturned to expose the truth. In his quest for that truth, Lieutenant Kaffee manages to get Colonel Jessep called to the witness stand. During the cross-examination, the lieutenant by turns challenges, flatters, interrogates and riles the colonel to the point that he loses his self-control, provoked by Kaffee's insinuations about his seeming lack of professionalism. To the colonel's way of thinking, he had acted as he should by disciplining a marine who violated the military code of honour. He believed he had no choice but to order a 'code red' to punish a soldier who'd overstepped the rules.

On the witness stand, Colonel Jessep lashes out: 'We use words like honour, code, loyalty. We use these words as the backbone of a life spent defending something, you use them as a punch line.' But the lawyer stands firm and repeats: 'Give me the truth.' Choking in righteousness, the colonel finally delivers the title for this contribution: 'You can't handle the truth!'

<sup>1</sup> The marine who received the 'code red' was Santiago (who was murdered). A code red is a punishment of one soldier carried out by the rest for failing to observe certain rules, and usually involves some form of physical

## Professional honour

Professional honour is a central element in military discipline. That's borne out again in *Men of Honor*, a film starring Robert de Niro. But, really, doesn't every profession have its honour? An elite athlete wants to win the championship, a top chef shoots for Michelin stars, a lawyer tries to get the judge to rule in her client's favour, and what actor doesn't dream of landing the lead in his favourite play?

This book isn't about soldiers, elite athletes, top chefs, lawyers or actors, however; this book is about the professional honour of the accountant. So, how is that honour manifested? By demonstrating a passion for the public good? By adding value for a client? By scoring high marks in a review by the 'big, bad, all-powerful regulator', aka the Dutch Authority for the Financial Markets (AFM)? By measuring up to the highest quality standards? Or by painstakingly observing the rules?

It's not a question I can answer, because, frankly, I don't know what precisely constitutes an accountant's professional honour. What I do know is that I wholeheartedly agree with the editors of this volume, who want to shine a positive light on accountancy as an honourable profession; one with stringent quality requirements for the performance of a statutory task (the audit of financial statements), an emphasis on serving the public good, and a constant focus on doing responsible work. Consequently, I also agree with the editors' intent to restore some balance to the discussion surrounding accountants by explicitly spotlighting accountants' 'sense of honour' and personal responsibility to deliver a job well done. To deliver that quality, it is essential that accountants have enough 'elbow room' to avoid getting tied up in technocratic measures and compliance.

It's true that accountancy has gotten a bad rap in recent times and that the discussion about it has been rather one-sided. At the same time, accountants continue to play a crucial role in the system of checks and balances that underpin corporate governance. Companies and executives have to account for their activities. Accountants audit their accounts and give them a stamp of assurance. There are rules for this, both for the people compiling financial statements and for the accountants auditing them. The mark of the professional, a master of their 'craft', is in the application of those rules.

violence. In Santiago's case, the reason was poor performance, showing up too late and breaking the chain of command. He had sent a complaint to superiors in the US instead of taking the issue to his own immediate superior, which was unacceptable to his base commander at Guantánamo Bay, Colonel Nathan Jessep (Jack Nicholson). In the film, Kaffee had to make the case that this senior-ranking officer was in fact ultimately responsible for Santiago's death, which Jessep attempted to pin on Corporal Dawson and another marine, Downey, they being the ones who had assaulted Santiago and forced a rag into his throat, causing his lungs to bleed and killing him. Source: Wikipedia.

## Note

In this contribution, I explore the topic first by linking it to a framework of concepts that I believe chime well with the theme of 'professional honour'. Centring on the notion of the 'professional', I link it to the concepts of honour, pride, dignity, ethics and judgement. I follow this with a discussion of what rules mean for the professional – in this case, the accountant.

## Conceptual framework

### Professional honour

'Professional honour' is the most literal translation of the Dutch term *beroepseer*. In the literature, the English term is often associated with a code of professional conduct and its enforcement by means of disciplinary sanctions. Registration with a professional body, for example, signifies the accountant's intent to uphold and abide by the rules laid down in a code of ethics – in the Netherlands, in the regulations on conduct and professional rules for accountants (*Verordening Gedrags- en Beroepsregels voor Accountants*, or VGBA). The Dutch regulations centre on principles of objectivity, competence and due care. The accountant further has a duty to act with integrity, behave in a professional manner and respect the confidentiality of information. The 'honour' of belonging, after a good education, to a group of like-minded professionals, being registered with a professional body, taking a professional oath and using a title entail an obligation to abide by and respect these principles. Anyone who violates them must answer to a disciplinary court.

The 'honour' of belonging can be manifested by a quality mark, a certification or, in the case of accountants, registration with a professional body. These are 'symbols' whose purpose is indeed partly to foster a feeling of fellowship: a sense of 'us'. That can have positive effects, such as members who support and stand up for one another. Sharing knowledge, institutionalisation and joint advocacy also help to reinforce group ties and advance the field. But there can be negative effects as well, such as an inclination to cover up problems, create internal divisions, gloss over mistakes and not penalise serious abuses. If the group is too inwardly focused, members may no longer perceive when changes are needed, or ignore or even deny this need.

The highest 'honour' conferred on accountants, and recognition of their professional status, is the fact that they are entrusted to perform a 'statutory task' – that is, the audit. The audit's statutory basis moreover speaks to the necessary and useful role that accountants play in the financial and public sphere.

Professional honour also signifies something worth aspiring to: belonging to a group. In some occupations – the army, police force, fire service, healthcare, judiciary, higher education – this is articulated in systems of ranks and positions, uniforms,

strict rules and codes. Break that honour code, and you'll be answering to a 'Colonel Jessep': that's how the system works among 'men of honour'.<sup>2</sup>

### Professional pride

Inextricable from professional honour is professional pride. The researcher Hendrik van der Zee characterises this (using the Dutch term *vaktrots*) as follows: 'Professional pride is to a profession what a feeling of positive self-worth is to a person: too little leads to impotence, too much to arrogance. The visible result, incidentally, is the same, because both a deficit and an overdose of professional pride ultimately end up weakening performance and stifling development'.<sup>3</sup>

Ad Verbrugge, an associate professor of philosophy, has studied people who take pride in a job they've done all their lives. 'Everyone know stories like these. Usually, they're told by people from an earlier generation. It's not uncommon for the old family doctor, teacher or nurse to talk about his or her profession in terms that seem old-fashioned to us now. Often, it's quite striking how much honour they attach to the occupation they held and how it contributes to their self-respect'.<sup>4</sup>

These themes are relevant in accountancy as well. Incidents, legal proceedings and regulatory reports and other publications have created a whiff of negativity around the profession. What's needed is to tip the balance from this negativity towards positivity: to put our shoulders to the wheel and prove what we're capable of. To show where we add value and that what we do matters. In short, accountants have to manifest the pride and passion they feel in and for their work.

Demonstrating professional pride is also needed to bring new blood into the sector, to attract sharp young recruits who aren't bogged down by mistakes made in the past. The Dutch Future of Accountancy task group (formed in 2014), made up of young partners at accounting firms, is a great example that has fuelled fresh initiatives. As well as recharging the field, their efforts have led to a noticeable uptick in accountancy students.

### Professional dignity

Complementing the previous two concepts is the notion of dignity. Dignity is associated with qualities such as 'being driven', 'showing enthusiasm and passion' and 'being motivated' – all positive attributes that an accountant with professional honour

<sup>2</sup> So the saying goes, but obviously there are plenty of women of honour!

<sup>3</sup> Zee, H.J.M. van der (2004). 'Professionalisering, beroepseer en ethiek. Tussen professioneel fatsoen en vaktrots'. *M7O*, July/October 2004, p. 59.

<sup>4</sup> Verbrugge, A. (2005). 'Geschonden beroepseer'. *Christen Democratische Verkenningen*, 25(2), p. 108. An abridged version of this text was used in the 2008 Dutch pre-university (VWO) exam.

<sup>5</sup> Van der Zee, 'Professionalisering, beroepseer en ethiek', pp. 58–59.

<sup>6</sup> Van der Zee, 'Professionalisering, beroepseer en ethiek', p. 59.

ought to have. Stakeholders, after all, need accountants to be alert to signs of fraud and driven and motivated to deal with it and to mitigate the harms. That's preferable to accountants who shrug off such signals or – worse – condone them or help clients to cover them up.

But there are more ways in which accountants can express their professional dignity. By registering with a professional body and taking a professional oath, they pledge to serve the public interest and uphold specific principals of professional conduct, and to respect the duty to report fraud and money laundering and to strive to deliver good work. Professional dignity means demonstrating all of these qualities in one's words and actions all the time, but it also means speaking up if fellow practitioners – wittingly or unwittingly – fail to do the same.

### Professional ethics

Professional ethics are often framed in a code of conduct to be upheld (such as the VGBA, for Dutch accountants) or a professional oath one takes (civil servants, doctors, bankers and accountants). There's a tendency to treat these as instrumental and procedural acts – as routine steps or boxes to be 'ticked'. Which is not to say codes and oaths are useless; only that their value shouldn't be overstated, because the most elaborate code is still just words on paper. Those words have no absolute force: they are meant to guide. To be followed not only to the letter, but in spirit. It would be illogical to reason that everything not prohibited by the code of conduct must be OK.

Van der Zee, quoted earlier, describes professional ethics as a 'matter of honour'<sup>5</sup>, not enforced by external entities, but arising from within the profession. Not as a form of organised suspicion, but a model of organised trust. And not as a form of doing one's duty, but as a means to discover the beauty or 'poetry of the profession'. I like Van der Zee's attitude and word choice, and the idea of professional ethics being a 'matter of honour' dovetails with the concepts of 'honour', 'pride' and 'dignity' in our framework here. As Van der Zee puts it:

'Whoever seeks good manners has to imbue sense, not derive it. A moralistic approach to professional ethical training does the latter, because it does not captivate or inspire, but decrees what ought to be. An obsessional focus on distinguishing between conscientable and unconscientable conduct swiftly leads to an insipid institutional culture of statutes, procedures and protocols, thus reinforcing not a prudent professional attitude, but a legalistic one.'<sup>6</sup>

### Professional judgement

In practice, accountants are applying professional judgement all the time: to establish materiality, weigh risks, decide on control measures, respond to signs of fraud, assess if audit evidence is adequate and reach an opinion. And they have to do all this in

the context of whole libraries of legal and regulatory texts that, for all their size, leave plenty of room for interpretation and subjectivity. This is precisely where an accountant demonstrates their professional competence and mastery, in the ability to carefully weigh the public interest against other interests.

### The importance of rules

Looking at such a regulatory text, the ‘Further audit rules and other standards’ (*Nadere Voorschriften Controle en Overige Standaarden*, or NV COS), we discover that in fact it places a central emphasis on the application of professional judgement: ‘The application of professional judgement in any matter is based on the facts and circumstances known to the auditor’ (NV COS 200, Section A25). And: ‘Professional judgement can be evaluated according to the question whether the opinion reached reflects a competent application of the auditing and reporting principles and is appropriate in light of, and consistent with, the facts and circumstances known to the auditor’ (NV COS 200, Section A26).

The crux of these provisions is that accountants are to operate on the basis of ‘facts and circumstances’. Not, therefore, on perceptions, suppositions, conjectures or other forms of ‘soft information’. The accountant’s judgement must be firmly grounded and moreover based on auditing standards and reporting rules.

In this connection I would like to quote Ad Verbrugge again, who asserts that for a profession to be recognised as such, it must have ‘objective shared standards’.<sup>7</sup> Here he is referring to the nineteenth-century philosopher G.W.F. Hegel, who argued that ‘internalising [objective shared standards] and removing individual discretion in fact constitute the core of development’.<sup>8</sup> This leads Verbrugge to conclude that: ‘Such standards are primarily established within a given profession and are part of the expertise and honour of that profession. And it’s only inside this kind of objective context that one can develop a personal style or signature’.<sup>9</sup>

In short, even in occupations – like accountancy – where everything centres on professional judgement, rules matter. Rules create order, provide direction, offer handholds and safeguard against arbitrariness. Rules allow for the uniform treatment of equivalent cases and thus afford legal certainty and legal equality.

Still, this essay is no ode to rules, because they also have a drawback: too many rules, or overly detailed rules, mean the death of professionalism. In the worst case, the result is a kind of ‘robotisation’, of auditing on ‘autopilot’, which could certainly

7, 8, 9 Verbrugge, ‘Geschonden beroepseer’, p. 113.

10 Verbrugge, ‘Geschonden beroepseer’, p. 120.

never be the intention of a statutory duty focused on the public interest. Neither does this fit a framework in which every audited statement is unique. Since every company is different, situations involving threats to continuity or possible fraud require customisation rather than a one-size-fits all approach. The specific moment in time matters, too, alongside a whole host of other factors that guide an accountant's actions.

Too many (and overly detailed) rules restrict accountants in practising their 'craft'. According to Verbrugge, when work devolves into this kind of 'formalised process', the 'employee' (read also: the professional, the accountant) becomes a 'processor'. As he puts it:

'The latest buzz about professionalisation is an ironic gloss on what's currently going on, namely the transformation of countless professions into "processions". If people can no longer see themselves in a process and their own knowledge and experience are hardly factored into the design of their work, alienation sets in. They no longer feel like members of an organisation that is striving for a common good, in which their expertise is valued. In the worst case, they find themselves working under strange guidelines, procedures and arbitrary decisions, the sense of which they cannot see. Which they may even feel to be abhorrent.'<sup>10</sup>

Verbrugge's essay, titled 'Professional honour violated' (*Geschonden beroepseer*), is mainly directed at teachers, doctors and nurses who know 'the deep frustration of having been robbed of their profession' by people who don't understand what the work entails and who keep churning out new bureaucratic guidelines in 'a direct refutation of their professional honour'. Verbrugge's argument translates fairly easily to accountancy: a field with an excess of rules. Moreover, these rules are less and less a result of self-regulation in the sector, with a regulator it perceives – rightly or wrongly – as extremely strict and at times even unjust. Far from stimulating the professional, this is a situation that engenders uncertainty and a culture strongly oriented towards compliance. And a culture of fear as well, with the sense that the focus both of the Authority for the Financial Markets and within accounting firms has come to centre on sanctioning instead of learning and improving.

This is not a setting likely to appeal to the ambitious young high potentials fresh out of university who could shape the future of the accounting profession. Which means change is needed. Not in the form of more rules but – at most – better ones. Above all, accountants should feel honoured to be deemed worthy to enter the profession and serve the public cause; to feel a professional honour that stems from pride, dignity, ethics and professional judgement. That way, the equivalents of lieutenant and lawyer Daniel Kaffee won't be forced to give their Colonel Jessep the third degree. To accountants who don't see the need for this change, all I can say is: *You can't handle the truth!*



## Paula Rocadas

Senior Audit Manager, Baker Tilly

Nationality, place of birth: Portuguese, Lisbon

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### Educational path

‘I obtained my CPA qualification in Portugal in December 2017. During my educational path, I completed an executive Master’s degree in advanced accounting and taxation and a five-year degree in accounting and management, both at Lisbon University. I also studied business management for a year at Maryland University in the United States.’

### What was something you found out about working here along the way, but would have liked to know earlier?

‘When you live abroad for a while, your mindset and values inevitably go through changes. Be prepared for that. Do your homework and build up your intercultural skills. There is a lot of online information about being an expat in the Netherlands that is really helpful.’

### Dutch food you will never manage to eat

‘Herring. I have never tried to eat it in the Dutch way: holding the fish by the tail high above your head and lowering it into your mouth.’

‘I was a bit confused on my first day at work. For lunch I ate *hagelslag*. I would normally associate sprinkles with children, but here in the Netherlands, it is normal for adults to eat this at breakfast or lunch.’

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## Hernan Sanchez

Senior Manager National Office, PwC

Nationality, place of birth: Argentine, Buenos Aires

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### Educational path

'The last 3 years of my high school time were with an accounting orientation. Afterwards I completed my accounting bachelor at University in Argentina (Degree: Accounting technician). Thereafter I did three years of accounting/auditing specialization and licence in Argentina – Degree: Public accountant (Argentine certification). one year of international financial reporting standards - Degree: ACCA in Dip IFR (ACCA – UK certification). I am currently studying to become an RA (Dutch certification).'

### Can you tell us about your first experiences in the Netherlands?

'I met a guy from US, he said: "do not let the weather drive your mood." It is going to be rainy. In Buenos Aires, when it rains, everybody goes inside. However, here it is more like a shower; people keep doing their thing while it is raining. In many countries, sunshine is abundant. In Holland, when the sun comes out, you realize you need to go outside.'

### What immediately struck you about the social interaction in the office?

'What surprised me in a funny way was that it is customary to get a drink for everyone. We have a tray next to the coffee machine in which you can put several cups. Even if you do not know anyone in the department, you are expected to ask if they would like a drink too. In America, you often see people sitting in the workplace with very large cups of coffee. In the Netherlands, you see people with small cups and they often go for a new coffee.' “



# Ode to the rebellious spirit

Most accountants are conformists. Conformists accept the mores of their profession and don't question why things are done a certain way. However, problems in accountancy can only be overcome by professionals who have a critical mindset and who dare to question. Let the rebel in you come out!

## Introduction

Socrates, Bob Dylan and Pippi Longstocking have pride of place in my personal hall of heroes. Perhaps an odd trio on the face of it, but they do have one thing in common: each, in their own way, is a rebel. I admire them because they speak out against the established order and stay true to themselves. I have a thing for rebels. Earlier, I wrote about Socrates and Bob Dylan. Now it's Pippi's turn.

It started when I was a kid. Each Wednesday after school got out, I'd settle in front of the TV with a packet of crisps for children's series like *De film van Ome Willem* and *Tita Tovenaar* – sure to ring a bell with Dutch readers – and, of course, *Pippi Longstocking*. Pippi is a playful, flame-haired girl as strong as a horse, whose father is a pirate-hunting sea captain. She lives all alone in a big mansion called Villa Villekulla and does whatever she pleases. Next door live two very proper children, Tommy and Annika, who are always coming over to visit. Together, they go on the wildest adventures. Pippi has a monkey for a pet and sleeps with her feet on her pillow. My brother and I would play 'Pippi' in the attic, inspired by the Pippi Longstocking series – and the all-too-dull ordinariness of our parents.

Basically, we both wanted to be just like Pippi. But now, barely thirty years on, the fact is we grew up to be much more like Tommy and Annika. We do what's expected of us and have adapted to our surroundings; in a word, we've been socialised. Now that I've 'grown up', I do occasionally miss the Pippi in me. Luckily, though, she still resurfaces from time to time.

## The rebel

Pippi Longstocking is a bona fide rebel. But what is a rebel, really? For me, a rebel is first and foremost someone who tells it like it is and scorns authority. Every era has its rebels who speak out against the powers that be. They openly challenge the conventional way of doing things and are willing to break with entrenched principles. Rebels aren't out to make friends. They question the existing status quo in pursuit of a higher goal – one that's more important than the desire to be loved. What's more, rebels have an unshakeable conviction that they're right. To do all this, rebels need to shed their anonymity and have the courage to leave their mark.

Rebellion is linked to the concept of 'anomie'. According to the 19th-century philosopher Émile Durkheim, anomie occurs when the majority of people believe socially-accepted goals are attainable for everyone, but the reality is different. The mismatch between those goals and the means to achieve them creates strain. At the societal level, these can be goals like the even distribution of wealth and universal access to education. Carry this thinking forward and you get schools within sociology and criminology that see criminal behaviour as stemming not so much from the individual (a biological cause), but from the normal response to one's social situation; hence, as a result of anomie. The sociologist Robert Merton came up with five mechanisms of adaptation that individuals can use to cope with this kind of inequity (anomie). Before taking a closer look at these mechanisms, let's try a thought experiment: What if we applied these mechanisms of adaptation to an individual accountant? Although the theory was developed to describe society as a whole, we can draw a parallel with the behaviours of individuals in the accountancy profession. Accountancy is essentially also a social practice insofar as accountancy firms employ practitioners who work together in teams. For someone new to the accountancy profession, certain workplace practices may come as a shock. For the new arrival to be accepted and successful in the established group, however, they need to align themselves with the prevailing mores. Any astonishment an individual practitioner feels initially tends to fade fast. They come to accept such situations as 'just part of how we do things here'. The individual practitioner has thus conformed to the means used to attain the goals that bring success. Based on this example, where success is the goal and the associated behaviour is the means, it's clearly worthwhile to apply Merton's five individual mechanisms of adaptation (as shown in Table 1) to the individual accountant. Sure, there are all kinds of academic objections, but let's give it a shot. As Pippi Longstocking always says: 'I've never done it before, so I'm pretty sure I can do it!'

<sup>1</sup> This article does not go into the goal of the accountancy profession or its current definition of success. Nevertheless, I use the terms 'monetary' and 'social' success deliberately, as the line between them is or has often been blurred. This is borne out by a 2014 report by the Future of Accountancy (*Toekomst Accountantsberoep*) task group, one of whose key findings was that public accountants evidently allow themselves to be led too much by commercial interests, rather than serving the public good.

**Table 1: Individual mechanisms of adaptation based on Merton's anomie theory**

Mechanisms	Approved goals	Approved means
Conformity	+	+
Innovation	+	-
Ritualism	-	+
Retreat	-	-
Rebellion	+/-	+/-

The first and most common mechanism in Merton's model is conformity. This describes most accountants. Conformists accept the mores of their profession and don't question how they're expected to work to achieve success. This group accepts the imposed 'ultimate' goal of monetary and social success<sup>1</sup> and wants to achieve it through hard work and not straying off the beaten track. Given the dominant 'up or out' culture, most public accountants within accountancy firms fit this category: either they fit in, or they don't.

The second possible mechanism is innovation. Innovators are people who have embraced the goals of monetary and social success, but also see the cracks in the existing order. A time will come in the not-so-distant future when robots take over the job traditionally done by accountants. Flesh and blood accountants will become redundant. With the clock running out for accountancy, it's not surprising that the sector is now doubling down on innovation.

Where the first two possible strategies embrace the goals of monetary and social success, the other three do so to a lesser extent or not at all. This brings us to the third mechanism of adaptation: ritualism. Ritualists translate images of monetary and social success into goals that are more viable for them. Take the accountant who realises they'll never make partner at their firm and so settles for a position as engagement leader. This accountant accepts their role in the firm and holds fast to the prescribed way of working. Ritualists avoid risks and feel comfortable following fixed daily routines.

A dramatic reaction to anomie is retreat. An accountant who feels they're no longer suited to the accountancy profession will ultimately opt to leave it, and in the most extreme case give up their license. In my experience, people who leave the sector have mostly grown disillusioned by the heavy workload. For this group, both the goals and the means of the accountancy profession are a problem.

That leaves Merton's last adaptive mechanism: rebellion. This reaction poses the biggest threat, and is also the biggest challenge to the establishment. The rebel accountant not only questions the goals allied to monetary and social success, but moreover formulates new goals and new, lasting definitions of success. I don't know

of a single rebel working as a public accountant. It's possible that any rebels who do actually go into accountancy end up 'retreating' (voluntarily or not) soon afterwards. And while I do know accountants who'd like to innovate the profession, they – unlike rebels – don't question the sector's daily practice.

### Where are the rebels?

Given the lack of rebels in accountancy, we're left to wonder if maybe the concepts 'accountant' and 'rebel' are a contradiction in terms. Can you be a rebel and yet make the rational decision to go into accountancy? The sector is founded on and steeped in all the things I'd expect rebels to reject. For one thing, the job must look very conventional to a rebel. Even ardent attempts to hype accountants as 'business professionals' haven't been able to shake the stereotype of them as timid and dull. Add to this that the accountant's core product centres on providing security – where again, we have to wonder if such a thing is even possible. Perhaps the biggest reason rebels just aren't that into accountancy is that the profession is rooted in capitalism – something most rebels fiercely oppose. The sector may just have too many characteristics that don't appeal to rebels.

Still, you can't be more Catholic than the pope, and that holds for rebels, too. Rebellion has its limits. Our society is one where everyone wants to be able to earn a living, even Pippi Longstocking. Tellingly, Pippi's creator Astrid Lindgren originally imagined a much more radical protagonist, one who made political jokes about Nazis. However, her publisher felt this was taking rebellion too far, so the book that came out was the child-friendly version we know now. Even Astrid Lindgren's rebellion thus had its limits: because she desperately needed money, her overriding concern was for the book to be published.

This, I think, is precisely the predicament of the rebel in accountancy. Rebellion is something we tend to expect from younger accountants: entering the profession with an unbiased view, they may be astonished at daily practices they still have to get to grips with. At the same time, they're in a position that's especially dependent. They badly need their accountancy job to build a life for themselves (to buy a first home, start a family, etc.). This primary need may prevent them from raising their voice. All things considered, it makes sense that young accountants aren't climbing the barricades – but that's not to say it's impossible for them to rebel. They could shake things up by joining forces and ideas. Furthermore, rebellion isn't always about big talk and overnight revolutionary change. Change can also come about by taking small steps to shift the established order (for as long as that order remains in charge). After all, the young generation is the establishment of the future. What mark will they make on our profession?

The bottom line is: anyone can rebel. So, as a first step, I'd like you to think about which of Merton's mechanisms of adaptation best describes you, no matter your age. My ode to the rebellious spirit is meant to make you aware of what your own behaviour has been over the course of your career. Are you a conformist, an innovator, a ritualist, a retreatist or a rebel? With the critical questions now being raised about how accountants operate, accountants are not only working in the public interest, but also find themselves the focus of public interest. In other words: accountants are in the spotlight.

Although the sector has devised formal measures in response to these questions about how it operates, I'm convinced the current problems won't be solved by such technocratic measures alone. They can only be overcome from within by accountants who have a critical mindset, who dare to question and who have the courage to acknowledge and speak out about the problems they see in daily practice. You're never too old (or young) to rebel, so let the rebel in you come out!

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In writing this essay, I drew inspiration from the following sources:

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## On social interaction

Obviously, the way people interact with each other differs per place and situation. Nevertheless, the auditors we talked to recognized some typically Dutch patterns. For example, the Dutch are strongly agenda-driven. Social engagements are usually scheduled and less likely to happen spontaneously. This also ensures that people often have lunch together at a fixed time. The Dutch are also notorious for their directness. People speak out more clearly than in many other countries.

**'Everyone keeps an agenda. If you want to meet up, you make an appointment. If you don't know this, you might take it personally, but don't. Now I have some Dutch friends and they are quite spontaneous. And I got used to it. Now I have an agenda too.'**

**'Dutch culture is agenda-driven. If it's not in your agenda, it's not going to happen. When someone proposes something, the first thing is to look in your agenda. It's very organized.'**

**'The neighbours invited me over for drinks and dinner at five. That was a bit strange for me. So, when I invited them as well, at 7.30, I said: "Be sure you eat something before."**

**'If you bring people from different cultures together you can use the benefits of all backgrounds. When everybody behaves the same way, we all make the same mistakes.'**

**'I have my own Italian way of bringing things to the table. With my emotion, with my hands, and they accept this.'**

**'My key advice if you want to connect? Really, put yourself out there. Ask: what are you doing? Can I come along?'**



## Reviving professionalism

The quest of ICAEW's AuditFutures to inspire debate and inform the dialogue about the future of the profession

The concept and idea of professionalism remain elusive in the field of business and finance, and I would like to argue that it needs to be revived and enriched. The notion of professionalism particularly within majority business schools and professional services firms is often perceived as an elusive component, explained through 'soft skills' and reduced to a body of knowledge that can be codified in general ethical codes or decision procedures.

It could be argued that such impoverished understanding of the concept leads to further misconceptions about the relationship between the individual and practice. It is for this reason that I believe that the notion of 'professionalism' should be enriched conceptually and taught (through both formal content and implicit cultural norms within business degrees) with the objective to humanise the technical content and help shape perceptions, responsiveness, emotions and intuitions as part of the professional identity. It is through a richer conceptual understanding of professionalism that we want to differentiate between the extrinsic and intrinsic good that defines practice, and to ground professional ethics around the principle of 'common good'.

While we can recognise the rich literature informing the field of business ethics, it is of concern that practice within accountancy and finance has only superficially recognised and adapted in response to the theoretical advancements in academia. By drawing on empirical research, our AuditFutures initiatives bring attention to key issues in practice and explore ideas of how to better bridge theory and practice.

### Why we need to think about professionalism

ICAEW was awarded the Royal Charter in 1880. This historical document presents a view of the accountancy practice as something beyond vocation, which is not defined by its profits and which is committed to the public benefit. The Royal Charter presents an inspirational vision for the accountant as professional, and it is through this vision that we want to ground and advance our discussion of professionalism.

From its inception in 1880, chartered accountancy has sought to identify itself in terms of high standards and respectability. In establishing accountancy as a professi-

on, our predecessors were mindful of the need to improve the status of accountants by introducing rules of professional conduct and a required level of skill.

These characteristics still very much define the profession today, but the professions are undergoing substantial change. New technologies deliver efficiencies, innovations and disruptions in the way all knowledge-based work is done. At the same time, business theory, financial markets, law and regulation are all becoming more sophisticated. The Susskinds' book *The Future of the Professions* (2015) argues that contemporary professions are failing — economically, technologically, psychologically, morally, and qualitatively — and believe that they should and will be replaced by feasible alternatives. Such allegations and doomsday scenarios pose particular challenges to the identity of our profession and require us to think critically about the nature of our work and the conditions that can ensure that professional ethics and values are not diluted.

Historically, professionals have tended to share similar backgrounds. Routes into the profession have tended to emphasise a grounding in audit and shared early experiences as audit juniors, like the 'war stories' of the New Year's Eve stock count, formed a bond that endured into later careers. These shared attributes and experiences help shape attitudes and beliefs that create the identity of the profession; a shared understanding of what it was to be a chartered accountant.

The accountancy profession prides itself on this heritage and its resilience. Traditionally, what it meant to be an accountant and the role that accountants performed were well understood and rarely changed significantly from one generation to the next. But the profession now faces opportunities and challenges from social, political and technological developments. At ICAEW, the membership is changing as we broaden access routes to membership and widen our international reach. It will continue to evolve, in response to the opportunities and challenges presented by innovation and the changing nature of work.

This openness and diversity in recruitment are unique for the UK profession. It is demonstrated in the various journeys that an individual could take to become a qualified professional, and the multiple destinations and functions that they could have as a practitioner. This varied process of initiation into the profession is unique, though it also challenges the extent to which individuals coming into the profession can have a shared experience, values and ethos. It is essential that the accountancy profession respond decisively to the challenges imposed by this context. It might require a renewed attention to our purpose, as well as the qualities and key competencies shared by our members.

The learned professions, such as medicine and law, have taken the lead in thinking critically about the kind of service they offer, and the nature of the relationship between client and professional. Meanwhile, social, political and technological changes

have challenged the traditional ideas of professional expertise and the relationship between professions and society. As a response to concerns within financial practices, professional standards and codes of conduct have become key to communicating and ensuring compliance with ethical principles that showcase a commitment to the public good.

Nevertheless, their existence does not attest to how individuals can develop capacities of critical judgement and how these translate into professional values and attitudes that share a commitment to the common good. While focusing on behaviours and skills that an individual needs to exhibit to become qualified, the notion of professional ethos has remained largely elusive and diluted in the current context.

### The good professional

Accountancy is a social science discipline and a creative practice that is informed by, and contributes to, key issues within business, political economy, human rights, ethics and sustainable development. As such, it calls for professionals with a moral orientation, socio-emotional intelligence and creative vision for innovating services and solving problems.

I want to paint a more holistic vision of the future professional – by looking at the key skills, knowledge, values and characteristics that are needed, but also *why* they are needed beyond the ends of economic consumption. Known as one of the founders of sociology of professions, the American scholar Eliot Freidson (1923–2005) defines professionalism as ‘ideology that asserts a greater commitment to doing good work than to economic gain and to the quality rather than the economic efficiency of work ...’ The ideology of professionalism claims that work is more for the satisfaction gained in performing the work well than in providing a good living. What he means is that *satisfaction* is gained from performing and engaging with the work, which is interesting and challenging because of its complexity and the need to exercise discretion and judgement. Commitment to that kind of work is part of what C. Wright Mills calls ‘the ethic of craftsmanship ...’ The German sociologist, Max Weber (1864–1920) similarly argues that work has ends beyond economic consumption, by explaining this through the role of Protestantism in motivating the activities of entrepreneurs and workers during the development of capitalism.

Thus, becoming and being a good professional requires a number of interwoven components, where discretion and judgement are key. Through our engagements and research within education, we emphasise the importance of ethos as the guiding compass that informs judgement and orients the technical and professional knowledge toward its wider social purpose. Furthermore, we explore how context and culture impact individuals, and how institutions can foster the enabling conditions to promo-

te and develop certain ethical behaviours and dispositions. Drawing on the influential theory of professional practice by the moral philosopher Alasdair MacIntyre (1981) and the Harvard psychology professor Howard Gardner's *Good Work* project, we are proposing a broader framework that defines the future professional. As Gardner writes, 'If you want to be a good worker, you can't just be excellent, you can't just be engaged, and you can't just be ethical. You need to have those intertwined strands of DNA.'

The structure of the DNA and the theory of epigenetics (how organisms change due to external triggers on gene expression) present a powerful metaphor for the dynamic between the internal components and external conditions that enable the development of the future professional.

Since there are particular individual characteristics (such as integrity and moral judgement) that can be fostered through the help of institutional conditions (culture and ethos), we make a strong case for designing 'ethical systems' within education and practice that could immerse individuals in the conditions where these qualities could flourish. We further examine the conditions that education can create to enable or trigger the expression and development of these components.

### Excellence

Professionalism should be first and foremost a pursuit of a good that is internal to the practice, such as improving the knowledge, the practice and the individual. It should not be defined by the pursuit of purely economic efficiency. It is important to think about what excellence means for the accounting profession – the nature of its technical expertise, its role in providing trust to society or its role in furthering a particular market economy.

Professional schooling and qualifications are usually seen as the primary source of the status of professionals and their personal, public and official identities. It also contributes to the development of a commitment to the occupation and to a shared identity, experience, and a feeling of community or solidarity among all those who have acquired the status that a shared qualification brings.

However, technical knowledge should not be seen as a value-neutral objective activity, but always informed by an underlying theory and philosophy. Similarly, financial tools used within accounting practice are never neutral, objective techniques but are driven by theoretical foundations that support particular types of market economy, social structures and the public good. I argue that the practical and technical knowledge is always guided by theory, which needs to be addressed and critically understood by the professional who engages in the practice. This requires the professional to have the capacity of judgement and an ethical compass to act in the most appropriate way. A 'professional' is meant to be more than a technical expert. Instead, he/she is expec-

ted to be a practically wise and motivated individual whose orientation is to do good work with perceived purpose.

Discretion is a key element of that – being trusted, being committed, being morally involved in one's work. Professionalism emphasises the understanding of theory and abstract concepts to enable the development of discretionary judgement rather than the routine application of a limited number of mechanical techniques. In other words, discretion is the ability to exercise judgement in a way that has the potential for creativity and innovation. It is this element of discretion that still gives professionals supremacy over artificial intelligence.

All forms of work require both everyday and practical knowledge, but only some require a specialised professional expertise, which cannot be acquired simply from experience. According to Eliot Freidson, this *formal knowledge* is mainly mental because it is grounded in abstract concepts and theories that are gained through specialised professional education, not practice. This richer conceptual knowledge provides the individual with the ability to analyse situations, to judge critically, and to react creatively to new situations. It provides context and critical capacities to understand procedures and techniques engaged in practice. This form of knowledge is more powerful, as it prepares the individual for actual tasks required by the specialisation by enhancing the individual's critical judgement and discretion.

### Ethics

Ethicality usually defines what is the right conduct or practice, especially regarding the standards of a profession. These standards are the principles that the profession sets to achieve a particular goal, which then helps define the qualities that a professional should have to achieve this goal. However, we would like to broaden this definition by placing emphasis on the *being* rather than *doing*, where being ethical stems from the identity and character of the professional, rather than just being a reflection of his/her actions. Ethicality should be understood by the motivations, and judgements, as well as the actions of the professional.

An individual must be sensitive to ethical issues before he/she can engage in moral reasoning or reflection. Ethical awareness and sensitivity are just components of what leads to ethical behaviour, but they are fundamental to the ability to judge or act. Due to the perceived 'technical' nature of accounting, introducing emotion into accounting may lead to an improved sense of moral obligation and ultimately to rehumanising the profession.

Virtues and morality have lost their richer meaning in modern practice and are important concepts to bring forward to inform a more holistic vision of the accounting professionals – in considering their qualities, values and capacities. Drawing on the philosophy of Aristotle, virtue is defined by the excellence at being human. Virtues

are important to understand the nature of professionals, as they are defined perceived in the context of a specific profession: they require a shared goal, shared rules, and shared standards of evaluation. The virtues are those qualities by reference to which we define our relationships with other professionals with whom we share the same kind of purposes and standards, which inform practice.

In essence, professional practices are mechanisms for collectively providing society with the services needed (i.e. health, justice, peace). However, the complex nature of accountancy and audit makes the term ‘common good’ quite ambiguous. We need to revitalise the importance of accounting within society by developing a richer understanding of the common good it provides and its direct impact on society and environment. It is the public interest, which the profession pursues, that determines the obligations and virtues a professional should have.

This socio-cultural environment in which a professional develops is informed by the feedbackloop relationship between the aspirations that the profession holds, the incentives communicated by practice, and the beliefs that education fosters within young professionals. As a novice professional, the individual ultimately responds to the ethos promoted by the profession and the institution of work, where the personal and the organisational values could also be at odds. Therefore, it is important to develop a critical understanding of one’s values and the forces that impact decision-making.

### **Engagement**

A richer theoretical and practical understanding of the profession and its impact on society could increase the motivation and commitment to work. As such, a broader education and training should contextualise the technical aspect of professional practice by emphasising its impact on society and environment. Similarly, we have to be conscious of the power that professional practice (mainly referring to professional service firms) has to promote a certain culture, through narratives and incentives, which consequentially attracts particular talent.

Education creates the moral orientation and intellectual foundations in individuals before they enter the profession. By using language, metaphors or aphorisms, individuals could develop a deeper understanding of and personal motivation for their work. The power of moral narratives, such as in text from Buddha and Confucius, could motivate and guide people in adopting a particular orientation to their work and decision-making. It has been pointed out that accountancy needs role models and richer narratives to humanise and raise the importance of the profession within society. Thus, we want to emphasise the importance of rich narratives within education and training that encourage accounting students to develop a sense of purpose and enthusiasm for their role within the profession.

A powerful education experience is one that develops a sense of liberation, curiosity and commitment in the individual. A richer understanding of the complexities of the business context and the impact of accounting practice on individuals and society enhances critical thinking skills, commitment and moral closeness. It is important for professional education to contextualise technical knowledge within its socio-political environment and to engage students in the complexities of real-world cases. To develop professional judgement, individuals need to engage in deeper philosophical analysis of a political, economic and social nature before they enter practice.

Moral sensitivity and emotional intelligence are the key elements that enable an individual to perceive situations, empathise, connect and take action in problematic situations. Understanding standards and rules does not motivate an individual to act unless he/she is emotionally engaged and motivated to respond. Thus, the role of professional education should be to strengthen an individual's commitment to and identification with their occupation. The sense of community or solidarity among those trained at professional schools is strengthened by the common problems they confront in the course of their work. We propose that community of inquiry is essential in the context of education to improve cohesion, motivation and engagement in accounting practice.

### **The journey of becoming a professional**

The development of a professional could be mapped out as a continuous journey. As such, our work emphasises the need to explore in depth the interdependent elements and processes that interact to develop one's identity, professional culture and ethos. An individual's identity should not be looked at in a vacuum, but understood through the conditions and environment, which as Aristotle argues, affect self-perception, choice and actions. Individuals are not blank slates when they enter education or practice; they bring with them a morality acquired in a certain cultural community and environment. A novice professional comes into practice with certain values and beliefs, which are then reshaped and challenged through institutional culture and the ethos that guides practice. It is the cultivation of character in the professional, but it is also the ethos of the profession, which enables, attracts and rewards certain values, behaviours and choices. Thus, understanding and promoting a more critical outlook toward the feedbackloop relationship between profession, practice and education is an important aspect of our thought leadership programme.

Furthermore, the judgements that a professional makes are not made in a vacuum, but are responsive to the signals of the wider institutional and professional ethos – culture, environment and incentives. The values that an individual brings and develops during his/her development are in response to the values and narrative provided

as part of the culture and conditions within education and practice. We particularly draw attention to the role of university education in its power to disrupt students' ethical perceptions and to foster the capacities of critical judgement and social intelligence.

The work of AuditFutures aims to create a powerful narrative about the profession and its role in contemporary society, by targeting key stages of the professional journey — from early perceptions, foundational and lifelong education, qualifications and practice. This is becoming very relevant as more firms are offering various schemes to open the profession to anybody with the potential to succeed. Increasing diversification of trainee intake requires rethinking current training and educational approaches.

### **Motivating the professional as a 'moral agent.'**

Understanding and being motivated by the higher purpose of the professional practice is what drives a professional to engage and excel along the journey. As part of the journey, professionals should develop moral sensitivity and the ability to critically recognise themselves as responsible individuals. As professional people, they should recognise that their actions have a direct impact on society and the power and trust vested in them by society contribute toward a specific public good. The philosopher Alasdair MacIntyre points out that professionals should have a critical view of themselves as moral agents, whose sensitivity and motivation comes with the ability to reason independently, and who also can recognise that they have the ability and good reason to judge the normative standards guiding their work. Simply said, professionals should have the ability to make independent decisions, by being critical toward their own biases as individuals and the professional standards that they follow.

### **Development of identity**

Professionals are expected to have a shared sense of purpose and personal commitment to ensure their ethical responsibility to the client and society. It could be argued that individual identity is activated when people get involved in work that has a greater purpose and in which they can see their impact. This ownership builds intrinsic motivation and decreases the risk of ethical violation. We appreciate that the development of identity is a long-term process, which gets drafted with the help of formal education and redrafted in the process of meaningful lifelong learning and practice.

### **Initiating individuals into practice and an organisational ethos**

Language is crucial in informing learners about the essence of the profession and in forming their early perceptions of the organisational culture and values. The essence and nature of the profession are categorised and communicated to students even before they reach university or practice. Our research tells us that there are crucial

practices within schools that expose students to the field of accountancy, in a way that mostly categorise the profession as ‘vocational and technical’. Such concepts influence an impoverished perception of practice, forming particularly instrumental values and beliefs about the nature of work and consequentially feeding into the wider culture of organisations. As early as secondary education, we need to rethink the narrative that describes the profession and the one that influences the motivation and interest of students.

### **Building a reflective practice**

Engaging in reflective practice has been defined by the American philosopher Donald Schon as the most important source of lifelong professional development and improvement. Experience alone does not necessarily lead to learning; however, deliberate reflection on experience is essential. People who reflect throughout their practice are not just looking back on experiences, but are taking a conscious look at their emotions, actions, and responses. In doing so, they use that information to add to their existing repertoire of knowledge and reach a higher level of understanding practice beyond following technical procedures. Reflective learning is essential to the idea of organisational learning, through which organisations don’t just innovate their operations to keep pace with changing market conditions but create new and better ways of achieving business goals. We believe that more reflective practice is needed within the accounting profession to build resilience and adaptability, but also innovation within businesses and firms.

### **What should drive us on that journey?**

Accountants are rightfully proud of their ethics code, their shared experiences and their specialised skills, but they are not enough to capture a professional identity. Therefore, I want to challenge this comfortable ground as not enough for the future professionals who aspire to motivate, engage and lead. It is important to bring attention to the significance of character, qualities and purpose as necessary in guiding the work of a chartered accountant.

Our key insight from our work is that there is a need to open a deeper and richer conversation about what defines us as professionals. Our work has pointed to the complex nature of the profession and the difficulty in understanding its evolving role within society.

### Embracing purpose

In our research, there was plenty of uncertainty about the social purpose of accounting. We believe this ambiguity has had negative implications on the evolving nature of practice and the educational and training objectives. In speaking to students, trainees and professionals, we have seen a general agreement on the need to serve society, but little or no clarity on what that public interest might be. Similarly, when asked about the purpose of accountancy, students in our projects share an appreciation of the profession's wider societal importance but don't understand its actual purpose and direct impact on the wider stakeholders. In focus interviews with practitioners and academics, the word 'purpose' is often controversial and creates tensions relating to differences in values and political views.

The Jubilee Centre for Character and Virtues recently pointed to similar concerns. Their extensive research on '*character virtues in business and finance*' explores the motivations of individuals pursuing careers in business and finance and unpacks the factors that might hinder or help professionals in business and finance to exhibit virtuous practice. Their research points out that '*working for the public good*' was mentioned less often compared with the motivation for financial rewards. A strong focus on job prospects and employability appear to be the main motivation for business-school students, and accountancy students alike. This narrow conception of 'success' (with a strong attachment to material rewards) is something that this report points out, and we find it necessary to bring to our attention and further discussions.

Such tensions and ambiguities point to the need to engage in more normative discussions about the evolving nature of the profession, and how accountancy as a practice could contribute to a rapidly changing society.

### Embodying virtues

My background is in design and policy, and I consider that taking a more anthropological and design-thinking approach is necessary to understand the changing social needs that the profession needs to respond to. To regain its attractiveness, relevancy, retention and respect, the profession as a whole would benefit from placing more emphasis on the characteristics, values and attitudes that it wishes to instil in its members. It is not so much a matter of definition, but a matter of focusing on the conditions and culture that foster and encourage these virtues to flourish.

An important part of this anthropological approach is getting to understand and design for the journey of becoming a professional - the stages at which individuals become aware, develop values, interest and progress toward becoming and developing as a qualified professional. The quest to identify and nurture virtues is essential especially in the face of automation and the rapidly changing socio-economic context. Focusing on fostering qualities provides for sustainability and endurance, where technology could supersede specific technical or administrative skills.

We find that beyond focusing on skills and knowledge, the profession needs to engage in normative discussions that question its purpose and role in society and explore the virtues that it aspires to foster. In turn, this will help plan for the competencies and skills that might be needed in the future. A richer understanding and connection to the needs of the wider stakeholders could further help us redefine the scope of professional expertise, by giving weight to particular competencies while replacing others.

### **Educating good professionals**

I believe we need new and powerful education experiences that develop a sense of liberation, curiosity and commitment in aspiring professionals. The very changing nature of the accountancy profession calls for critical education and training that broadens the perspective of learners beyond the required excellence through technical knowledge and skills but proactively guides them to develop an understanding of higher purpose, values, public good, and ethical leadership.

In our work, we have explored research within the learning sciences to develop an argument for designing approaches and methods that enable deeper and effective learning. We see constructivist pedagogical methods, democratic conditions and richer philosophical content as the foundations for powerful education experience in accountancy. We want to enrich the field of accountancy education by testing out new tools and methods for deeper learning, knowledge construction and identity formation.

A powerful education requires a holistic vision about the formal and informal components that contribute to professionals' learning and experience. The work of AuditFutures has piloted and tested the normative method of 'community of inquiry' to emphasise the importance of critical thinking, habits of mind and character building in the context of accountancy degrees. The liberal arts component and the emphasis on critical inquiry have been used to make sense of professional standards and in fostering discretion instead of compliance.

The initiatives led by AuditFutures have investigated and designed educational practices and culture that could foster the conditions for the promotion of excellence, ethics and engagement in aspiring professionals. Recent findings in the learning sciences research tell us that moral judgement in professionals should be developed as an interpersonal process, and not as a private reasoning process done by individuals.

Ethics content should be seen as integrated into the curriculum and mission, communicated through the culture, language, narratives and role models of the faculty; and through the shared experiences that extracurricular activities and group research projects foster. Individual and group identity should be leveraged as part of the education experience. A course that changes how an individual thinks of herself, and of her classmates/co-workers, has a greater chance of success than one that simply tries to educate the learner/practitioner and impart knowledge and skills.

The concept of ‘professionalism’ should be taught intentionally and discussed critically (through integrating narratives, experience and philosophy) with the objective of humanising the technical content and helping shape perceptions, responsiveness, emotions and intuitions as part of the professional identity. Furthermore, problem-based learning has been shown to improve group cohesion and learning triggered by solving problems, which is of particular importance to developing socio-emotional intelligence, communication, management, and motivation in professionals.

Positive stories can overcome negative preconceptions and problems that exist within modern professions, and attract the talent and values that they need for the future. One way that we are developing this is through AuditFutures’ Good Professional project, which aims to showcase real stories exemplifying role models of chartered accountants, from all walks of life. We believe that the fundamental question that we need to address in understanding the nature of our profession is: ‘What does it mean to be a good professional?’

By triggering deeper discussions and developing such narratives, we hope that they can offer inspiration, positive role models and moral guidance to aspiring professionals. Putting professional competencies, technical knowledge and ethical values in a broader context will enable reflection on the development of professional identity.

I want to encourage more professionals to consider the social purpose and the intrinsic good their profession serves and aspires to. I believe this has the potential to foster personal motivation and development of both intellectual and ethical virtues that go beyond the discussion of technical knowledge and skills. Also, this has practical value and can help individuals and the profession respond to the opportunities of artificial intelligence and other technologies by expanding innovative work and reflecting on how the profession contributes value to society.

## Gender ratio

Gender ratio of NBA members 2020 %	
Male	77.1%
Female	22.9%

Source: <https://www.accountant.nl/feiten-en-cijfers/ledenaantallen-nba/>

## Number of NBA members

Number of NBA members	
Accountants in business	9,832
Public accountants	9,064
No longer active	1,811
Internal and government accountants	1,479
<b>Total</b>	<b>22,186</b>

Source: <https://www.accountant.nl/feiten-en-cijfers/ledenaantallen-nba/>

## Total number of accountancy students in the NL

Total number of accountancy students in the NL	
2015	7,828
2016	7,719
2017	7,656
2018	7,537

Source: <https://www.accountant.nl/feiten-en-cijfers/ledenaantallen-nba/>

## Extra hours worked per week (overtime)

	Small firms (%)	Medium-sized firms (%)	Large firms (%)
0	14.5	7.2	1.6
1-5	53.9	60.3	48.8
6-10	17.1	23.3	39.5
11-15	6.6	3.2	5.4
16-20	2.6	1.1	1.4
21 or more	5.2	4.9	3.3

Source: Accountant/Alterim (2019). Accountancy Werk 2019 Beloning, arbeidsvoorraarden, tevredenheid.

## Public accountants who intend to work outside of accountancy

Percentage of public accountants who intend to work outside of accountancy (2019)	%
Not	42
Within 1 year	3
Within 1-3 years	14
Within 3-5 years	16
In more than 5 years	25

Source: Accountant/Alterim (2019). Accountancy Werk 2019.



## Jamal El Yousef

Senior Manager in audit, Deloitte Netherlands

Nationality, place of birth: Palestinian, American, born in Jerusalem

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### Educational path

‘I completed my bachelor’s and master’s degree in Accounting at the University of Texas at Arlington.’

### Why did you decide that you wanted to work in the Netherlands?

‘Ever since I began my career with Deloitte in the United States, I have always been interested in taking on a secondment overseas (primarily in Europe). Seven years later, that became a reality when I saw an opening in the Rotterdam office at Deloitte Netherlands. Taking this step was not only about gaining work experience internationally but also challenging myself both professionally and personally in my self-development journey. The Netherlands was a no-brainer for me, mainly due to the fact that knowing the local Dutch language is not a prerequisite to developing oneself and finding success.’

### What surprised you most about Dutch culture?

‘I have never seen people make the best of a sunny day better than the Dutch. As soon as the sun is out and weather is warm, people flock to the parks, beaches and cycle all over the countryside.’

‘Secondly, I strongly admire the focus on work-life balance and having a high standard of living with a good lifestyle when it comes to balancing work, exercise, family and fun.’

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## Alessandra Zefferino

Senior Audit Manager, International Business, KPMG NL

Nationality, place of birth: Italian, Tropea

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### Educational path

‘After I gained my diploma in classical studies, I took a completely different path and I studied for a Bachelor’s degree in economics and finance at Bocconi University in Milan. Afterwards I took a Master’s degree in management and finance. Just before I graduated, KPMG offered me a job. Straight away I started the educational path to become an auditor, including practical experience in an audit firm.

Meanwhile, I moved to the Netherland and joined KPMG. Despite the change of country, I completed my exams and finally, I became Dottore Commercialista and immediately afterwards Revisore dei Conti (certified auditor). Currently I am in the process of becoming a Dutch RA. To be honest, when I started I did not know that this would be the start of my career of the next 12 years.’

### What is typical of the Dutch way of working?

‘In the Netherlands, the entire work (but also personal!) agenda is fully planned. Sometimes my appointments are scheduled three weeks in advance. Now that I am used to it and I can appreciate the benefit of it: It makes life easier, more stable and balanced. Still, I enjoy and I surprise my Dutch colleagues and friends with last-minute plans, which are more typical in my culture!’

**What are the most important tips & tricks you have for your fellow professionals who are just starting in the Netherlands?**

‘Be open to cultural differences. Recognise your own habits, the differences and similarities. As an expat, you are in the privileged position to work in a multicultural environment and have the opportunity to put in your “backpack” the best of each of the cultures you encounter but also to transfer your own experience and your own best practice. It is a win-win position.’

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## With confidence

'Our hearts beat with anticipation,  
Who'll get cake, who the rod?'

Fragment from a Dutch St Nicholas carol

When you buy a plane ticket or an item on special offer at the supermarket, you're expressing your confidence that the price and the quality of the service or product you're buying will live up to what you've been led to anticipate. In everyday life, we have rules, reviews and regulations that give us the assurance to buy or invest or ask for professional advice with confidence. If that confidence is violated, we consider anger, frustration and even litigation to be quite normal responses. But such anger has a double edge: if you can no longer rely on the quality of a product or service, your confidence in yourself takes a dent, too, because apparently you failed to make an accurate judgement about what you bought.

For accountants, making accurate judgements is vital. To do this, they need not only a great deal of experience, but also, and more importantly, expertise gained by learning from a wide range of experiences. Clichéd as it may sound, if you only ever learn to sail on calm seas, you won't last long in a storm.

Judgements are made on the basis of knowledge. Knowledge that comes not only from education, but from learning by experience. Moreover, you have to learn if you can trust your own ability to judge. Too much confidence is dangerous, but so is too little. The trick is combining the necessary degree of accuracy with the right degree of confidence in your own judgement. Unfortunately, most of us are not good judges of our own ability to judge. Worse, it seems we're blind to the errors we ourselves make. In her popular scientific book *Being Wrong*, Kathryn Schulz says the following about this 'error-blindness':

... it's no wonder we have so much trouble accepting that wrongness is a part of who we are. Because we don't experience, remember, track or retain mistakes as a feature of our inner landscape, wrongness always seems to come at us from left field – that is, from outside ourselves. But the reality could hardly be more

different. Error is the ultimate inside job. Yes, the world can be profoundly confusing; and yes, other people can mislead you or deceive you. In the end, though, nobody but you can choose to believe your own beliefs. That's part of why recognizing our errors is such a strange experience: accustomed to disagreeing with other people, we suddenly find ourselves at odds with ourselves (Schultz, 2011).

### Confidence in the profession

In our society, accountants perform an important public task. By law, accountants are tasked with auditing the financial statements of certain enterprises and reporting their findings in the form of an audit opinion, or report. A clean audit report means the accountant hasn't come across any notable anomalies and that the public can be confident the company's financial reporting is compliant with laws and regulations. For this reason, accountants are also known as 'fiduciaries of the public interest'. But this fiduciary duty is under tremendous pressure. In the Netherlands, the Dutch Authority for the Financial Markets (AFM) has been highly critical of the quality of audits by accountants. The AFM's position is that accountants are too indifferent to the public interest, fail to take full account of key underlying evidence and have been slow to implement the desired changes enumerated in the Future of Accountancy (*Toekomst Accountantsberoep*) task group's '53-point plan'. Two years after this plan's presentation, the Monitoring Committee on Accountancy (MCA) concluded that although some of its 'hard' measures have been taken, including revised incentives and audit procedural changes, essential adaptations in 'soft' measures (culture, knowledge and behaviour) have been largely ignored. The hard measures could be seen as expressing a lack of public trust in the work accountants do. The trouble is, now that the 'hard' measures have been implemented, it's not clear how to begin to address the 'soft' ones.

So, while firms have embraced the hard measures, the MCA found the same cannot be said of the soft measures. Measures in the latter category are based on a different set of assumptions about what incentivises accountants and the factors that get them to perform at their best. So-called 'soft' measures assume that if a workplace continually offers new challenges, accountants will be able to adapt, build new knowledge and, hence, learn. This is crucial, because the accountant's job routinely confronts them with new, complex or difficult situations. If there are new regulations, for example, they have to be translated into new procedures and changes to the work. As we see it, before hard measures can have any effect, accountants first have to develop the knowledge and skills needed to perform to the expected level. Until recently, this 'learning approach' was new and still fairly uncommon in research around auditing – unlike in other professions, it should be noted. The question for us was how you

shape a workplace learning environment in which accountants can build the knowledge needed to make well-founded and accurate judgements (Grohnert, 2017).

### **Confidence in an accurate judgement**

For some years now, the authors have been researching how accountants form judgements in the context of a learning approach. This angle, centring not on hard factors, but on soft ones, has been rather unusual within mainstream audit research. Our research departed from the AFM's observation (2011) of an absence of adequately substantiated judgements and professional scepticism in the sector: too often, accountants reach an opinion without gathering enough relevant evidence. We decided to investigate this in a series of studies among accountants to determine to what extent the quality of a judgement is a function of 1) the amount of task experience (expressed in years), 2) the extent of critical experience gained with clients (errors in reporting, attempted fraud), 3) how and what kind of feedback is given on work, and 4) if time is set aside to reflect on experiences gained. Our main conclusion was that these factors seem to deeply impact how accountants' work is organised and their methods.

Where soft measures are concerned, our research showed that a learning culture, feedback and reflection are crucial to better enabling accountants to present adequately substantiated judgements. A supportive learning culture gives accountants room to discuss their doubts and possible errors with colleagues and managers, which can improve the quality of their work as it progresses. Feedback from colleagues, managers and clients gives accountants essential tools to influence the quality of judgements and to adapt to changes. Reflecting on feedback and past experiences, meanwhile, enables accountants to significantly improve their performance.

Our research on the effects of soft measures gathered data from 336 accountants employed at 11 firms in the Netherlands, including both the Big Four and mid-tier companies. They occupied different management layers (partner/director, manager, senior and junior) and had varied degrees of work experience.

Our procedure was the same with each one. The accountant was presented with a representative case. After assessing the case, they were given a questionnaire to answer. In its entirety, the experiment took approximately one hour. The case presented was based on evidence supplied by a Big Four firm and comprised multiple layers of information (relevant and irrelevant information) about problems a company was having with debtor payments. Accountants were asked not only for their judgement of the situation, but also to state how confident they were of that judgement.

Worth noting is that the case was presented on a laptop computer, which enabled us to monitor what information a subject looked up, how long they consulted it, in what order and so forth. Afterwards, the accountants were asked to complete a brief questionnaire about the nature of their work experience, critical incidents at clients,

how they gained learning experiences through their work, what management did to systematically draw lessons from their work experience and so on. These combined data enabled us to track both how the accountants arrived at a judgement and look at the relationship between how they exercised judgement, how much work experience they had and their experiences with feedback and the learning climate within the firm.

Our first study focused on the question how many accountants would collect at least the minimum amount of relevant evidence needed to reach a judgement on the given case. Figure 1 shows the results of our first analysis. Most striking at first glance is that about 46% of the accountants presented an accurate judgement. Second, that some 51% of the accountants gave a judgement without having collected all the evidence needed. These results clearly give rise to many follow-up questions. We wondered if there may be a relationship between job level and judgement accuracy: was it primarily the younger accountants who made errors? Had we factored in the particulars of individual accountants (age, sex, job level, firm, office)? Might some branches of the same firm present divergent scores, or was the pattern more or less the same across all offices? In short, the results demanded further analysis, which we performed.

**Figure 1: Judgement accuracy and evidence consulted**

		Judgement accuracy	
Relevant evidence		Inaccurate	Accurate
	No	31% (N=105)	18% (N=59)
	Yes	31% (N=76)	29% (N=96)

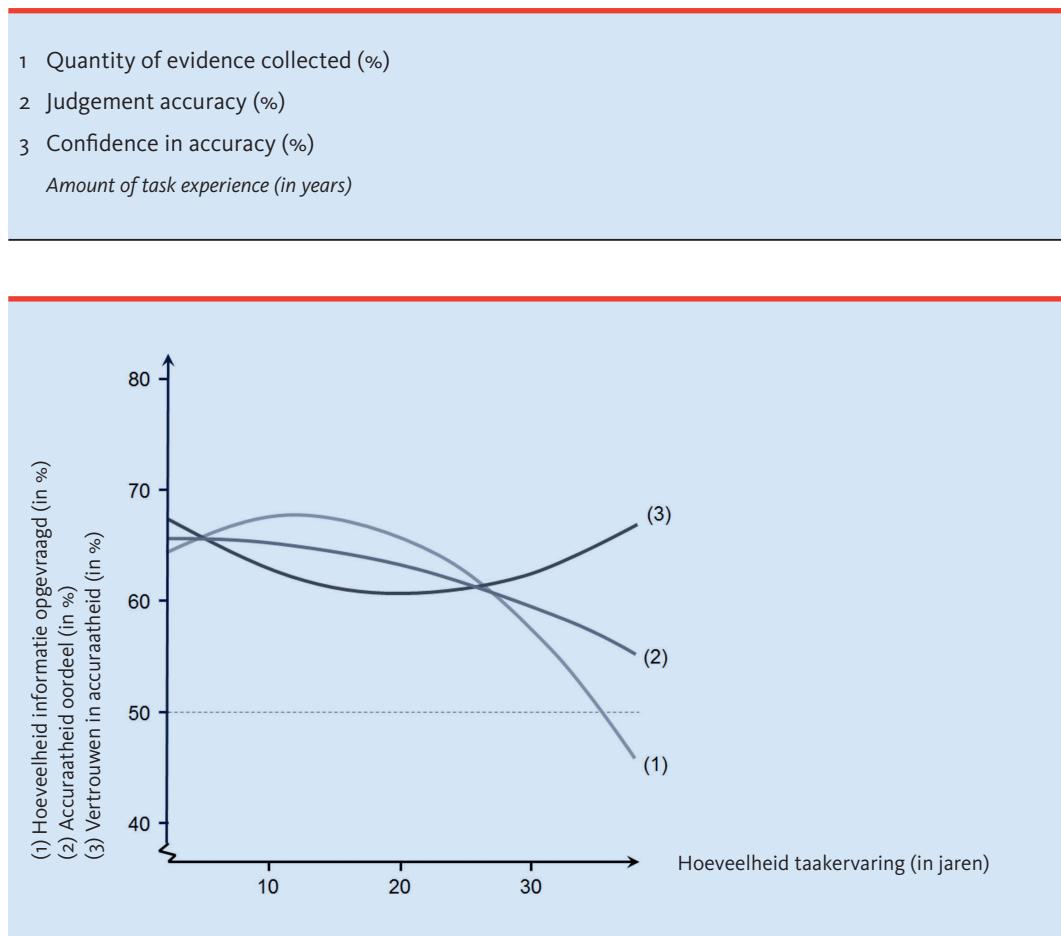
### Confidence in knowledge

Based on the results of this first analysis, we performed a series of follow-up analyses examining factors that could explain in which quadrant accountants fell (see Figure 1). Factors considered were task experience, workplace learning climate and the culture of feedback and reflection. We also looked at the significance of demographic features; namely sex, office location and training in professional scepticism.

To begin with, we analysed to what extent judgement quality (based on adequate retrieval, or not, of evidence) was a function of task experience. The most basic question was if accountants with more task experience also made more accurate judgements, using sufficient information. Next, we examined if an accurate judgement was

correlated to more or less confidence. Figure 2 shows several mechanisms by which experience determines the judgement quality.

**Figure 2: Relationship between amount of task experience, quantity of evidence collected, accuracy and confidence in own accuracy.**



Curve 1 shows that more experience is associated with collecting less evidence. Curve 2 indicates that more experience diminishes accuracy. Curve 3 shows that when less evidence is collected and accuracy goes down, confidence in one's accuracy, conversely, goes up.

Looking at judgement accuracy, our analysis showed accountants with five to eleven years' experience did best. This group of accountants collected the most adequate evidence to form a judgement, presented the most accurate judgement and had the highest awareness of the quality of the delivered work. Notably, this group were also the best judges of their own ability to judge. Even more interesting, however, was the

group of accountants with more than eleven years' work experience. There seems to be a link between the amount of task experience and the quality of the judgement. If we consider the three curves together, we see a clear link between increasing confidence in one's own judgement and diminishing accuracy. While the progression of curve 3 is not problematic in itself, since ultimately 'experience tells you what to do; confidence allows you to do it', as per Stan Smith, where it does become a problem is when the progression of curves 3 and 1 are considered together. As confidence in the accuracy of one's judgement goes up, the quantity of evidence consulted goes down, as does the quality of the judgement.

We also asked a number of accountants to write down whether they had high or low confidence in their own judgement and how they would characterise the nature of their work (complex or simple, easy or difficult, predictable or unpredictable, etc.). This yielded some interesting results. A few of the accountants reported almost never experiencing uncertainty. But there were others who said they did always question whether their judgement was justified. As one manager noted: 'I usually have to solve unpredictable problems. Judging is difficult, because there's no one in my vicinity with enough experience to challenge me.' A senior said: 'For some decisions we take in the audit process I take decisions that are not fully thought through. Instead of using decision-making tools, I draw on my common sense.'

Based in part on the results of our interviews with accountants, we next looked at what they need in their work to enable them to better learn from experiences. Figure 2 raises the question whether the curves are independent of the specific kind of work experience. If you take accountants having the same number of years of task experience, then in the first instance you're looking at the average score on the curves. Far more interesting is to analyse whether a group of accountants with similar task experience shows any differences in the degree to which they learned from them. This led us to identify one group of accountants whose confidence in their judgement coincided with its quality. This was an important finding, because we discovered that this group of accountants was also represented among those with more than eleven years' task experience. Thus, to understand if self-confidence matches judgement quality, it is not enough to consider the amount of task experience alone. The underlying factor determining the link between self-confidence and judgement quality is whether accountants had had critical experiences. 'Critical experiences' in this context include for instance discovering signs of fraud at a client, a client supplying evidence late or certain kinds of conflicts relating to a client or the evidence obtained. In the end, we concluded that accountants who had had one or more critical experiences in the previous three years made judgements that were better substantiated. In this group we also found that the confidence with which the judgement was given coincided with its quality.

This finding indicates that gaining critical experiences may be the key to better understanding how task experience – and learning from that experience – is related to self-confidence and judgement quality. It seems to be the proverbial ‘forewarned is forearmed’ in action. Our follow-up studies subsequently found evidence for the value of ‘soft’ aspects such as workplace learning climate, the role of feedback and whether or not firms set aside time during work to reflect on experiences with clients. Our results showed that junior accountants at firms with a positive learning climate were more likely to turn to their supervisors for advice than those at firms where this was not the case. We also found that a positive learning climate was linked to higher scores on professional scepticism. Such scores are not so much attributable to individual accountants but rather depend on the extent to which professional scepticism was encouraged in that accountant’s workplace. Moreover, we discovered that professional scepticism was not a predictive measure of judgement accuracy.

Returning to Figure 1, here we saw that a relatively large group of accountants did not present an accurate judgement. Let’s imagine we gave them a resit. If they had a chance to review the case and we assisted them by supplying tools that would, in theory, positively influence the quality of their judgement, would that result in a better judgement? We examined this question with a group of junior accountants who had formed an inaccurate judgement on the case. At the end of the experiment, they were told their manager found faults in their judgement and that they would be given an opportunity to revise it. Next, we gave one subgroup a checklist only (to be construed as a ‘hard’ measure), while the other got the same checklist but were also questioned in a manner meant to encourage reflection (a ‘soft’ measure). A third subgroup were only told that errors had been found and asked to reassess the case.

In this experiment, the subgroup asked to review the case again, with no further feedback, did no better the second time around. The subgroup members that were only given a checklist showed no improvement either, however the confidence they had in their judgement suddenly became significantly higher. For us, this is an indication that hard, procedural measures offer no assurance of success and may even have an adverse effect, because the new procedure creates an illusion of certainty. This outcome echoes the current debate among accountants about the negative effects of compliance: you can tick all the boxes and yet know that, essentially, the work has not improved. The most important result, however, was that the accountants who were questioned to help them reflect on the case showed significant improvement. Our conclusion is therefore that this combination of hard and soft makes all the difference. This finding is not remarkable in itself; it stands to reason that you have to master the audit process first before incentives can help you to do better. In all of our studies, we subsequently discovered that soft interventions explained more than 30% of the variance in judgement quality and professional scepticism.

Last but not least, there are a few other results that, though perhaps not surprising to some, are worth mentioning. First, women accountants gave lower ratings for their workplace learning climates. Their perceptions of work were also more easily impacted by their supervisors. Women accountants did not differ from men in the quality of their judgements. Second, we found that learning climate perceptions varied significantly between offices of the same firms, suggesting that learning culture is a product much more of individual offices than of a firm. This is notable because it means this is a variable that management can influence. Finally, an interesting fact about professional scepticism: we found that accountants who had recently (no more than one year before our experiment) completed professional scepticism training did not form significantly better judgements than those who had had no such training. Curiously, however, they were markedly more self-confident about their incorrect judgements than those who had not received professional scepticism training. They also collected less evidence.

### Confidence in a good outcome

At the beginning of this essay, we wrote about the search for alternatives to ‘hard’ measures. One such alternative we investigated was the use of checklists to prevent errors. Our research showed that if young accountants made errors in their judgement on a case and were given a checklist to aid them the second time around, their judgement did not improve. But there was another effect: while their judgement did not change, they gave it with more confidence.

All our results suggest that the accountancy profession can benefit from making more use of all the in-house experience firms have at their disposal. This offers good prospects for learning from these experiences and turning the lessons learned into knowledge that can be applied on the job. Firms can make structural changes in their processes to enable managers to stimulate knowledge sharing, while also implementing minor interventions that enable accountants to learn to look critically at aspects of their work. Given how much these issues clearly resonated with the accountants we encountered in our research, we are confident of a good outcome. Perhaps the fragment of the St Nicholas carol quoted at the beginning of this essay can help guide the use of hard and soft measures: first, try cake, and only if that fails, the rod.

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# No is (not) an option

Professional conduct is frequently debated in accountancy. On the one hand, we feel the sector should learn from its mistakes. On the other, it's not always easy for professionals to discuss doubts they have or mistakes they may have made. Society has its own expectations that make it difficult to admit these mistakes and express doubts about one's own expertise. Young professionals often play a key role in coordinating and performing audit engagements. In this essay, we therefore take the young professional's perspective on several case examples to show just what it is that makes opening up about errors so hard.

## Introduction

Audit professionals have weathered a storm of criticism in recent years. Criticism that they're not bringing enough professional scepticism to bear and not telling what they see. That audit files at public interest entity (OOB) audit firms are below standard. In the last few years, public pressure has resulted in more legislation (requiring rotation of audit firms and a division of consulting and auditing services), tighter external regulation, improvement plans and the expansion of internal control measures. These responses make sense from the perspective of bureaucratic logic<sup>1</sup>, which assumes that a professional's work must be organized based on rules, procedures and hierarchy. They have also borne fruit: professionals (both young and older) increasingly feel themselves to be operating in a quality-oriented culture, keyed to the quality of statutory audits.<sup>2</sup>

At the same time, auditors feel that all these criticisms and measures impugn their professional integrity. They take pride in the work they do and want to do it well, so when their integrity comes under fire it affects them on a personal level as well. From a societal perspective, after all, integrity centres on the professional's 'morality, constancy and accountability'.<sup>3</sup> From a personal perspective, by contrast, integrity is about

<sup>1</sup> The notions of 'bureaucratic logic' and 'professional logic' are inspired by: Freidson, E. (2001). *Professionalism. The third logic*, Chicago: University of Chicago Press.

<sup>2</sup> For example, AFM, 2020. *De kwaliteitsslag bij de Big 4-accountantsorganisaties onderzocht juli 2020*. And NBA, 2020. *Opvattingen over het accountantsberoep Rapportage 2019/2020*.

<sup>3</sup> Karssing, E. (2006). *Integriteit in de beroepspraktijk* (dissertation). Assen: Van Gorcum, p. 18.

a professional's ability to identify with their responsibilities and set limits to what's expected of them. This is premised on professional logic: that professionals themselves decide what constitutes good work.

Precisely this dynamic makes it important that auditors can both learn from mistakes and retain their sense of professional pride<sup>4</sup>. And that necessitates measures based on professional logic. As recent research<sup>5</sup> shows, auditors still struggle to discuss errors. In this contribution, we'll start by taking a look at research done by the Netherlands Institute of Chartered Accountants (NBA) on the error management culture in accountancy. Next, we'll zoom in on some situations in audit practice as viewed from the perspective of the young professional to see just what it is that makes opening up about errors so hard. Lastly, we'll set out what's needed to embed the discussion of errors into auditors' professional mindset.

### Error management culture and professional integrity

In June 2017, the NBA conducted a work culture survey among 7,274 respondents at 80 audit firms, the results of which would provide a benchmark to assess culture changes in the audit sector over time. The survey revealed that respondents saw room for improvement in both the learning capacity of their organisations and audit teams and the time available for audit activities.<sup>6</sup> Also, that young professionals ('audit seniors') were in fact the most critical of the current quality culture. Respondents also indicated that, in their experience, managers rarely asked staff for input on quality issues.

In this essay, we consider this error management culture from the perspective of young professionals. These young auditors often have an executive and coordinating role in the audit team, which makes them pivotal in an organisation's error management culture. To situate the rest of this discussion, it makes sense to quote from the report in more detail:

<sup>4</sup> The concept of 'professional pride' and why it is necessary for good work is borrowed from Jansen, T., Brink, G. van den, & Kole, J. (ed.) (2009). *Beroepstrots. Een onbekende kracht*. Amsterdam: Boom.

<sup>5</sup> For example, NBA (2017). *Accountancy Cultuurmeter Nulmeting juni 2017*; AFM, 2020. Ibid.

<sup>6</sup> NBA, 2017, Nulmeting

<sup>7</sup> NBA, 2017, Nulmeting, p. 3, our italics and translation.

<sup>8</sup> 'Nog veel te doen voor wetgever in accountantssector', Accountant, 11 June 2013.

<sup>9</sup> Karssing, Integriteit in de beroepspraktijk, p. 72.

<sup>10</sup> Ibid., p. 73

<sup>11</sup> Tonkens, 2013. 'Professionaliteit tussen mondigheid, markt en bureaucratie: Een pleidooi voor herwaardering en democratisering van de professionele logica'. In: M. Schermer, M. Boenink & G. Meijen (ed.), *Komt een filosoof bij de dokter...*, Amsterdam: Boom, 2013.

<sup>12</sup> AFM, 2020. Ibid., p. 5.

<sup>13</sup> AFM, 2020. Ibid., p. 14.

<sup>14</sup> NBA, 2020. Ibid., p.36.

<sup>15</sup> AFM, 2020. Ibid., p. 14.

Learning capacity: while employees mostly seem comfortable sharing substantive information and issues, they seem to have more difficulty reflecting on their own team performance. For instance, employees regularly feel that the team climate allows for discussion of differing opinions and dilemmas. *On the other hand, employees often feel unable to indicate when they lack knowledge and don't always feel comfortable discussing mistakes or dilemmas with each other, to learn from them together (...).*<sup>7</sup>

From a social perspective on integrity, these findings don't make sense. Integrity, in an auditor, means reliability: it means they make moral choices, stand firm and can answer for their decisions. Auditors serve society, so they're expected to speak up if their knowledge or skills fall short. From this perspective, there is no justification for not discussing mistakes and dilemmas, which could detract from the quality of an audit. As PvdA party parliamentarian Henk Nijboer so succinctly put it: 'I expect only two things from an auditor: to tell me if the figures add up, and if the company is healthy.'<sup>8</sup>

If we take a personal perspective on integrity, however, the NBA's findings make a great deal more sense, because a professional also wants to identify with what they perceive to be their role, to strike a balance between different duties and to be able to set limits on what others expect from them.<sup>9</sup> From this perspective, it's important for them to learn to speak up if they can't do something, are unsure or have made an error, even if it conflicts with the outside world's expectations. Even 'the scrupulous practitioner is morally fallible'<sup>10</sup>, after all. And the expectations of all those involved – managers, staff, audit clients – can vary widely, and that's not always easy.

For professionals like auditors, making errors can moreover be tricky. Professional logic dictates that a professional wants to keep mastering their trade.<sup>11</sup> Auditors are engaged for their expertise, and when matters become complex, people often look to them for a solution. That goes for both audit clients and staff, and for managers. These high expectations make it harder to draw attention to errors and cast doubt on one's expertise. If an auditor doesn't have a ready answer (whether in their own perception or the audit client's), it can be interpreted as a sign of weakness, and that threatens their professional pride. And yet, reflection and vulnerability in such instances are precisely what define the true professional.

Recent research shows that this existing error management culture is changing. Within audit firms, management and external auditors are sharing their own errors more often.<sup>12</sup> They are conducting root cause analyses and culture assessments to pinpoint why errors are made.<sup>13</sup> Professionals also note that firms are creating scope to discuss errors, which is fostering greater openness.<sup>14</sup> At the same time, audit firms still face challenges in learning from mistakes. Professionals are reluctant to share errors, for example, because they fear the consequences.<sup>15</sup>

## Dilemmas of the young professional

On auditorsblog.com<sup>16</sup>, there is a video clip that pokes ironic fun at the error management culture in accountancy. It starts off with an audit client that has a problem (say, the market value of assets). The partner on the engagement notices the problem and deflects it to the senior manager. The senior manager passes it on to the manager, who in turn gives it to the audit senior to solve, who promptly finds himself drowning in it. While this is happening, the staff also discover misstatements. Not knowing how to handle them, they document the findings as uncorrected misstatements. The senior discovers these misstatements during the review and wonders who's been hiding them. With the deadline looming and budget dwindling, now the senior is expected to fix everything...

The clip illustrates the disastrous consequences of situations that can arise during audit engagements. It shows how easily errors and problems occur, particularly under the added time, capacity and budgetary constraints common to audit engagements. Not daring to admit one's incompetence or mistakes or to discuss dilemmas undermines the quality of an audit. We want to explore this by looking at several hypothetical cases in audit practice. Each takes the perspective of young professionals, who all too often find themselves in the very same predicament as the senior in the clip. That is, in a position where everything converges while also having both an executive and coordinating role in the audit team. Recognising and signalling understandable behaviours in these situations may be a first step towards improving error management culture.

### *'I don't want to hear about problems, but solutions'*

A first-time senior is auditing an estimate in a significant account. Because the engagement manager resigned just prior to this, the partner has assigned the senior full responsibility for the audit activities. After repeated attempts and wasting non-billable hours, the senior decides he can't quite nail down how the estimate was made and, in desperation, turns to the partner. But the partner is absorbed in bigger engagements and responds with an irritated: 'I don't want to hear about problems, but solutions!'

### *'I'm in control'*

It's the busy season, and an audit senior is working hard on several engagements. Due to a client's late delivery, she's still working on the last engagement even though the next one has already started. Deadlines are quickly stacking up. The team on the current audit is new and needs lots of guidance, leaving the

<sup>16</sup> See: <https://www.youtube.com/watch?v=XsWCr8h2SKQ>

senior no time for her own work. Meanwhile, the manager on the last engagement calls to say he wants to do the review the next day. The senior needs a good assessment on both engagements to be promoted to manager, but now her whole schedule is falling apart.

### *Back to the client?*

An audit senior is tasked with supervising a junior assistant. Fresh from university, he's barely ever seen financial statements. The senior has taken extensive time to explain to the assistant how to do the work for several items she did herself last year. The assistant gets off to an energetic start, with the senior checking over his shoulder. Because of her own workload, she had to put off the review, and by now the team has left the client. During the review, the senior discovers there's no substantiation for the analytical review. The explanation for the fluctuation is plausible, however, and in line with last year. And the auditor is such a difficult man...

### *Landed a big audit engagement!*

It's big news: the department has landed an important new audit client. There are champagne toasts and lots of smiling faces. As they start drawing up a schedule in the weeks that follow, it becomes clear the department needs another 20 FTE to do the work. The partners on the engagement get together to figure something out and, over the weekend, come up with a fix: during the busy season, another 10 FTE will be brought in from a foreign sister organisation. They leave it to the audit team to sort out the rest. This puts huge pressure on the seniors on the engagement, who are doing and coordinating much of the work while making sure everything is as efficient as possible since the budget is so tight.

### *Not (quite) certain*

An audit senior is working on the audit of a key accounting estimate. He notices that something odd is going on with the item in the current year. Instead of a negative item (loss over the coming years), it seems to have flipped to a positive result. The senior has just graduated and thinks this expected future positive result also has to be taken into account. But the controller and head of finance at the client don't agree, and the senior manager is uncertain, too. The senior is invited to a meeting about the estimate. The partner is new to the engagement and still unfamiliar with this particular item. During the meeting, each of the more experienced people indicate that they see no need to include the positive estimate. Then the partner turns to the audit senior: 'So, what's your view?'

This set of case examples illustrates the position young professionals regularly find themselves in. They're a linchpin in the engagement, bearing a great deal of the responsibility, and are expected to behave professionally. At the same time, young professionals are still learning, and a whole constellation of factors (group pressure, pressure of authority and so forth) are affecting their judgement and making it difficult to report errors. They need to handle things professionally, but rules, procedures, budgets, time constraints and regulators only tend to increase the stress. Bureaucratic logic can't solve this, and just reiterating what's expected won't improve behaviour. For the solution, we have to look to professional logic.

### Making mistakes and professionalism

The ability to *point out* one another's errors is often considered a key skill. Not only to the audit client, but also to partners, managers and other staff. Yet, by the time errors are pointed out, it's often too late; the error has already been made. What's more, for many people it feels like a rebuke, and so an attack on their professional pride and integrity. That doesn't mean auditors or audit clients shouldn't be held accountable for their errors, of course, but it has to be done carefully and without putting someone on the defensive.

Another important skill is therefore to make errors, dilemmas and uncertainties *open to discussion*. That makes it possible to ask questions in difficult situations and to look for solutions together, without recriminations. It takes courage for a professional to admit they can't do something or don't know an answer. Partly because of expectations surrounding the job, as discussed earlier: auditors want to live up to those expectations and to their claim of authority in the auditing field. But also because of the 'race to the top' that's characteristic of many organisations, where an audit senior's uncertainties or errors may be viewed as signs of weakness.

An open culture thus plays a key role in enabling discussion of errors, uncertainties and dilemmas. Both the literature and practice offer some good examples of ways to create and sustain such an open culture. Three of them are given below.

- Peer review by job level. Audit firms often hire a large number of young professionals all at once. Have them get together on a regular basis to discuss issues they're encountering at different audit clients. This can cover anything from technical expertise to skills, such as dealing with pressure (budget, time, workload or colleagues), pointing out errors and airing uncertainties and dilemmas. These meetings can take various forms, such as peer review, ethical reflection, Socratic dialogue or a step-by-step ethical plan.

17 Wirtz, R. (2004). 'De moresprudentie van de auditor'. *Audit Magazine*, 16(3), pp. 14-17.

18 Karssing, E. (2013). 'Beroepstrots en integriteit. Inspireren en leren met trotse verhalen'. In: M. Zweegers & E. Karssing (ed.), *Jaarboek Integriteit 2013* (p. 92). The Hague: Bureau Integriteitsbevordering Openbare Sector.

- Moresprudence. Raoul Wirtz coined the term ‘moresprudence’ (*moresprudentie*) and defined it as follows: ‘Just as we keep an ongoing record of the application of the law, systematically documented in jurisprudence, the conversation about integrity and all the associated considerations, choices and decisions also ought be put in writing. With a little creativity, we could call this “moresprudence”’.<sup>17</sup> We can enhance learning capacity by recording our discussions about dilemmas and uncertainties, whether in narrative, reflective or pictorial form.
- Proud stories. A great thing about professional gatherings is that you bump into fellow practitioners who tell all kinds of proud stories about situations where they had to stand their ground, or made an important discovery in a review or through the grapevine. These situations make auditors feel proud to bear their title and belong to the profession. By sharing these proud stories, we are also cultivating a shared image of what makes a good auditor. It’s about ‘making the normal special’<sup>18</sup> and inspiring people to uphold the basic values of the auditing profession in their own work.

A third important skill is to reduce pressure – or at least the perception of pressure. Usually, there are reasons we experience doubt, but they can be difficult to put into words and, with all the pressures (time, budget, authority) we’re under, we may just rationalise them away. The following example illustrates this:

A senior is working on the audit of an accounting estimate explained in the financial statements. The model is complex, and different staff members are asked to clarify the fluctuation in the figures relative to last year. So far, there’s been no plausible answer. Last night, one of the client’s directors even looked over the questions and sent a clarification. Now, the partner is due to deliver his report on the audit to the Supervisory Board in an hour. With the deadline nearing, only this one item remains unresolved. The senior manager, partner in charge and audit senior review the director’s clarification together. The explanations seem plausible, but the senior can’t shake his doubts, despite having the best grasp of the material. The senior manager and partner in charge are on the verge of calling and are putting on the pressure. The audit senior says, ‘Something’s not right, but I’m not quite sure what it is. Give me ten more minutes.’ They put down the phone. Later, it turns out the justification the director gave was indeed incorrect. The item remains outstanding.

In light of this example, we would like to offer a few more practical tips to help young professionals moderate the pressure they are under and/or feel:

- Use internal and external budgets. You can be called to account for the internal budget; the external budget is a commercial decision and the partner's responsibility.
- Regularly ask yourself: 'Do I have to do this now?', laying your emphasis on different words each time. Often, you'll realise you can answer one of those questions with a 'no'.
- Talk with the manager or partner about unrealistic deadlines. There's a tendency to impose deadlines that are too tight. We've all been in situations where we've worked all night to meet a deadline, only to have the review of our work put off for several weeks. Deadlines are not always as set in stone as they seem.
- Remember the fundamental principles. Good work takes time and a clear head and it's important to acknowledge that. Sometimes it's better to switch off your laptop at the end of the day and get some exercise or go to bed on time. The next morning, you'll go to work feeling refreshed, which tends to be a lot more effective and efficient.

### To conclude

Young professionals play a crucial role in audit engagements. Yet, they are also under tremendous pressure from audit clients, managers and staff. They're often the linchpin in audits and hence the ones who run into difficult situations. The auditor of the future has to not only stand firm, but also be able to talk openly about uncertainties and dilemmas – because that, too, is part of professional integrity. This is why we are advocating a structural focus on professional pride, skills and ethical competences in audit education and at audit firms. Auditors have to experience the desired professional culture early on in their careers, so that it's internalised in their professional DNA. Drawing on existing practice and the literature, this essay offers some suggestions on how to achieve this.

The NBA Young Profs committee exists within the Dutch professional organization (the NBA). The NBA Young Profs is the network where young accountants share experiences, express their opinions and contribute to the development of the training and the profession. The NBA Young Profs represent the interests of young accountants and accountant trainees, propagate the vision of this group and provide an advisory function to the NBA.

## Most important professional values

Most important professional values according to accountants	%
Integrity	33
Independence	12
Quality	12
Legislation and regulations	9
Customer interest	9
Honesty	8
Expertise	8
Objectivity	6
Reliability	5
Trust	5

Source: Artikel 5: De beroepseer van de accountant

## If rules and laws do not provide you with guidance, who or what determines your actions? (multiple answers possible)

	%
Personal view of what is right to act	41
Own professional judgement	29
Direct colleagues, audit team, network	26

Source: Artikel 5: De beroepseer van de accountant

## Opinions

Opinions	Percentage of respondents who agree or completely agree
It is important that society has confidence in public accountants	99
Moral competences are necessary to be a good public accountant	96.7
Making mistakes open to discussion within the firm makes the public accountant to be able to do his job properly	94.7
The work of the public accountant is absolutely necessary for society	85.2
Trainee accountants must be better trained to be able to act in situations where rules do not provide an unambiguous answer	69.2
Private-sector accountants must take the public interest into account to the same extent as public-sector accountants	59.2

Source: Artikel 5: De beroepseer van de accountant



## Dutch lunch: Bread and cheese

In the Netherlands, it is common to have lunch together. During lunch, people mainly eat cold dishes. This usually includes bread and a piece of fruit or vegetables. Often, buttermilk (*karnemelk*) is also on the table: a drink with a distinct taste that you either love or hate.

**'There is an abundance of bread. Just taking a piece of bread because you threw some *pindakaas* (peanut butter) on there, that's not lunch. It never will be. You need more substance.'**

**'I saw these sandwiches and weird salads. They seemed to be leftovers. Like: whatever was left over, we'll make it a salad.'**

**'It is easier to eat healthy here than in Argentina. Here you eat a lot of vegetables and the quantities are healthier, too.'**

**'At 11.50 everybody stands up. Lunch consists of bread, cheese and *karnemelk*'**

**'In Spain we normally lunch around two o'clock in the afternoon and lunch is always warm. And because we have breakfast at eight, we eat a mid-morning snack, like a yoghurt. Here at twelve, everyone goes for lunch. So, the first day I was invited to join and saw bread and cheese. And I am like: Is this lunch? What's going on?'**

**'Dutch people would state things. They'd say: "ham AND cheese on your bread?" Actual comments on what from their perspective is considered 'normal'. But I think since the numbers of expats has changed, this has improved as well.'**

**'I was surprised to find sandwiches with *hagelslag* (chocolate sprinkles) for lunch. In my home country, only children eat those.'**

# Useful links

This page offers an overview of websites that could help you during your stay in the Netherlands.

## Work-related websites

- <https://www.nba.nl/>  
*Official NBA website. The NBA is the professional body for accountants in the Netherlands (Dutch, English).*
- <https://www.nba.nl/over-de-nba/english-information/information-for-foreign-auditors/>  
*Information for foreign auditors for registration (English).*
- <https://www.accountant.nl/>  
*NBA platform for accountants and financials (Dutch).*
- <https://www.accountancyvanmorgen.nl/>  
*Website about news, backgrounds and developments in accountancy and entrepreneurship (Dutch).*

## Government institutions

- <https://www.government.nl/>  
*Portal of the Netherlands Government Information Service (English).*
- <https://www.rijksoverheid.nl/ministeries/ministerie-van-financien>  
*Website of the Ministry of Finance (Dutch).*
- <https://www.cbs.nl/en-gb>  
*Statistics Netherlands (CBS) provides reliable statistical information and data to produce insight into social issues. (English, Dutch).*
- <https://coronashboard.government.nl/>  
*Up-to-date information about developments surrounding coronavirus in the Netherlands. (English, Dutch).*

## Finding your way around

- <https://9292.nl/en>  
*Source of travel information for public transport (English, Dutch).*
- <https://www.ns.nl/en>  
*Railways website. Built-in train journey planner (English, Dutch)*
- [www.ov-chipkaart.nl](http://www.ov-chipkaart.nl)  
*The OV-chipkaart is the payment method for public transport in the Netherlands (English, Dutch).*

## Other websites

- <https://www.holland.com/global/tourism/information/practical/tourist-information-offices.htm>
  - *Holland.com is the official website for the Netherlands as a tourist destination (e.g. English, Dutch).*
- <https://www.knmi.nl/home>
  - *The Royal Netherlands Meteorological Institute (KNMI) is the Dutch national weather service (Dutch).*

## Appendix: About the authors

### **Arnoud Aikema**

Arnoud Aikema (b. 1965) studied Economics and Business Economics at Erasmus University Rotterdam (1994) and graduated as a chartered accountant (1999). In 2016 and 2017, he worked for the Dutch Accountancy Monitoring Committee (MCA) on the preparation of the first report by the MCA. He has previously worked for the Dutch Tax and Customs Administration, KPMG Accountants (in Rotterdam and on Curaçao) and Van Lanschot Curaçao. He has acted as CFO of a family holding company and set up a single-family office. For many years, Arnoud worked as a consultant and director for family businesses, as a supervisor in the non-profit sector and as an adviser and lecturer in the accountancy sector. Since 2020, he has been a CFO in the disability care sector.

### **Arthur van Bemmel**

Arthur van Bemmel is a chartered accountant. He has been with KPMG for over 15 years and has served different types of clients within the audit practice. Currently, Arthur is working as a senior manager within the Audit Quality department.

### **Wim Gijselaers**

Wim H. Gijselaers is professor of educational research at the School of Business and Economics at Maastricht University; email: w.gijselaers@maastrichtuniversity.nl. His research focuses on identifying what contributes to the expertise development of professionals. He is chiefeditor of the Springer book series ‘Innovation and Change in Professional Education’. His PhD students have won a series of awards for their contributions to research and practice.

### **Therese Grohnert**

Therese Grohnert is assistant professor at the School of Business and Economics at Maastricht University; email: t.grohnert@maastrichtuniversity.nl. She is interested in professional learning for judgement and decision-making in the professions. Through shared research projects with practice, workshops, and masterclasses, she makes her research accessible for audit practice.

### Margreeth Kloppenburg

Margreeth Kloppenburg is chair of the Faculty of Ethics, Culture and Behaviour of the Royal Dutch Netherlands Institute for Chartered Accountants. She is an experienced lecturer, trainer and facilitator on professionalism and integrity. In 2014 she took the initiative for a platform for accountancy student's opinions ([www.theaccountables.nl](http://www.theaccountables.nl)) and co-edited the book on the professional honour of the auditor (*Artikel 5, de beroeps-eer van de accountant*, 2017). She is currently working as a Comenius Senior Fellow on the development of [www.auditpedia.nl](http://www.auditpedia.nl), a multi-stakeholder content platform primarily focused on the societal value of the auditor.

### Martin Martinoff

Martin Martinoff is AuditFutures manager at the Institute of Chartered Accountants in England and Wales (ICAEW). He is currently leading a forward-looking and innovative project on the future of accountancy and the financial professions. Martinoff has worked with over 60 different universities in the United Kingdom and developed numerous education initiatives, professional engagement programmes and CPD workshops for academics.

### Roger Meuwissen

Roger Meuwissen is professor of Control and Auditing at Maastricht University, email: r.meuwissen@maastrichtuniversity.nl. He is also the director of the International Executive Master of Auditing and the Maastricht University Postgraduate Program of Auditing. His research interest is in the areas of audit markets, audit regulation and auditor decision-making. More specifically, his research revolves around competition and quality in the markets for audit services and learning from errors. He has published in journals such as *Contemporary Accounting Research*, the *European Accounting Review*, the *Journal of International Accounting, Auditing & Taxation*, and *Strategic Organization*. He serves on the Executive Committee of the internationally renowned International Symposium on Auditing Research, and serves on the Editorial Board of *Auditing: A Journal of Practice and Theory*.

### Corné van der Meulen

Corné van der Meulen is a sociologist and project manager at Stichting Beroepseer (Professional Honour Foundation). He was involved as a project coordinator and publisher in the publication of the book *Artikel 5: De beroepseer van de accountant* (Article 5: The professional honour of the accountant). Van der Meulen is the author of various publications on modern authority. In addition, he has written contributions for publications such as *Het alternatief voor de zorg. Humaniteit boven bureaucratie* (The alternative for health care: humanity over bureaucracy), *Goed werk voor academici*

(Good work for academics), *Artikel 5: De beroepseer van de accountant* and *Écht doen wat nodig is. Pleidooi voor kleinschalige effectieve jeugdhulp* (Really doing what is necessary: a plea for small-scale and effective youth care).

### **Marcel Pheijffer**

Marcel Pheijffer (b. 1967) is professor of Forensic Accountancy at Nyenrode Business University and Leiden University. His writings address a range of issues, including fraud, money laundering, ethics and integrity, corporate governance and the accountancy profession. They are published on various platforms, such as at [www.accountant.nl](http://www.accountant.nl), and in the newspaper *Het Financieele Dagblad*.

### **Luc Quadackers**

Luc Quadackers is the owner of Margila. His main business is writing on the interface between research and practice, particularly (but not solely) in the area of auditing. His publications vary from columns and interviews to peer reviewed research articles.

### **Marlies de Vries**

Marlies de Vries studied accountancy at Nyenrode Business University. After many years of professional practice, she made the transition to academia. In May 2018, she worked with NBA Young Professionals to publish a study of the experiences of young professionals in accountancy. This study gained considerable attention in both national and international media and contributed to a broad debate within the accountancy profession. In 2019, De Vries was a member of the Commission on the Future of Accountancy (CTA) set up by the Minister of Finance. In May 2020, the Minister of Finance appointed her in a personal capacity as coordinator of the future of the accountancy sector.

### **Lars Zwagerman**

Lars Zwagerman worked in both the financial and non-financial audit practice at Big4 firm. Afterwards, he was a compliance officer at a bank and a public transport company. His focus has been on governance, ethics and behaviour. Currently Lars is working at the Dutch Financial Markets Authority (AFM).

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Margreeth Kloppenburg  
Corné van der Meulen

## Appendix: About Stichting Beroepseer and the book *Artikel 5*

Stichting Beroepseer (Professional Honour Foundation) is a Dutch organisation that explores professional identity and behaviour across many sectors. The central question that this foundation has been trying to push onto the social and political agenda is: How can we regain professional pride and thereby improve the quality of our work? Stichting Beroepseer was founded in 2006 following the publication of *Beroepszeer* (Professional Pain) (2005), a book that detailed the frustrations of many Dutch professionals with pervasive forces of bureaucratisation, lack of autonomy and deprofessionalisation. In 2009, a second book, *Beroepstrots* (Professional Pride), furthered these messages and emphasised pride as a core value for all professionals to embrace.

Stichting Beroepseer wants to offer professionals help to strengthen professionalism in their own work environment. Specifically, the foundation does this by producing publications and organising group coaching. Over 15 years, the foundation has grown into a broad movement of executive professionals, managers, directors, scientists and other interested parties.

In 2017, Stichting Beroepseer issued the book *Artikel 5: De beroepseer van de accountant* (Article 5: The professional honour of the accountant). Following the 2008 financial crisis, public confidence in accounting in the Netherlands collapsed. The result was an identity crisis for the profession, with many accountants wondering how they could ensure integrity and quality in their work. In an attempt to regain professional honour, *Artikel 5* offers a collection of contributions with mainly positive insights, sharp analyses and stories from accountants or experts close to the accountancy sector. Co-author Margreeth Kloppenburg received an award from the Royal Netherlands Institute of Chartered Accountants (NBA) for her contribution to the book. According to the jury, she had designed a unique book. The jury stated that the subject of professional honour appeals to the heart of the professional at a time when offices, systems and procedures are dominant in the profession.

More information:

[www.beroepseer.nl](http://www.beroepseer.nl)

