



Auditors adjusting to reform

Parallel session 2.2

Prof. dr. Johan Christiaens

Ghent University

Accounting Research Public Sector UGent – EY

Registered auditor EY

Agenda

1. Audit institutions facing the challenges... posed by NPM
2. Training the audit staff and introducing new specialists (or external experts)
3. Role of universities in
 - a) Training new graduates
 - b) Updating audit institutions staff
 - c) Providing research and advisory services

1. Audit institutions facing the challenges... posed by NPM

- Cornerstone of *New Public Management*:
- → Adoption **businesslike accrual accounting** next to existing **budgetary accounting, management reform**
- → Last years increased attention for **audit consequences** for **audit institutions, audit firms**, but also for **EC** and **government policy**

1. Audit institutions facing the challenges... posed by NPM

- SAI → Intosai, Eurosai ISA standards for public sector: legality audit, compliance audit, performance audit
- Institutes Registered Auditors → adjusting to public sector auditing, from financial (compliance) audit to performance audit (e.g. Be ICCI perform. audit 2013)
- IIA → more integrated in recently set up internal audit services in public sector organizations (e.g. hospitals, universities, local governments, govern. agencies, ...)
- Oversight bodies → challenges to COSO approach: more risk-driven and cooperation with other auditors

1. Audit institutions facing the challenges... posed by NPM

- Since 2014 in Flanders ‘**Single Audit**’ for governmental organizations: (= Flemish Ministries, agencies, public/private non-profit organizations ESA code 13.12)
- Instead of fragmentary audits by different actors leading to redundancy or lacks and sometimes contradictions in their different reports → working together of the audit actors and harmonizing the different audit objectives and activities (= Single Audit)
- Main audit actors: Belgian SAI , Registered auditors, internal audit agency, ministry of Finance, ...

1. Audit institutions facing the challenges... posed by NPM

- **Single audit** implies:
- Risk assessment and mutual exchange
- Planning audit activities
- Sharing audit files
- Shared audit standards and confidentiality
- Exchanging findings relevant for another auditor's discipline
- Audit reports according to actors' discipline and different stakeholders



1. Audit institutions facing the challenges... posed by NPM

- **Single audit:**
- **Difficulties:**
 - different audit actors speak another language
 - most of the actors not related to audit price implications (monopolies) whereas registered auditors being audit firms are in competition and price implications for the auditee
- Evaluation going on and positive perspective!



2. Training the audit staff and introducing new specialists (or external experts)

- **Need for courses and training:**
 - IPSAS
 - ESA 2010
 - ISA applied for public sector courses
 - Public sector accounting and auditing, particularly for PPP
 - Performance and value for money audit
 - ...

2. Training the audit staff and introducing new specialists (or external experts)

- **Organizing courses, training, workshops:**
 - By certain (audit) organizations, such as SAI (e.g. CIPFA UK), audit institutions, audit firms (e.g. Big four), private consulting firms, IT developing firms, universities
 - Possibly interorganisational courses and workshops, organized by different institutions together, e.g. SAI together with audit institution, ...
 - Possibly multidisciplinary courses and training, consisting of different disciplines and speakers, e.g. macroeconomists together with juridical experts, external auditors, internal auditors, officials from Eurostat, IT, ...



2. Training the audit staff and introducing new specialists (or external experts)

- **Organizing courses, training, workshops:**
- Advantages / Difficulties:
 - + communication, exchanging points of view and know-how
 - + teachers and tutors also learn
 - often no examinations, nor testing
 - sometimes not a condition in becoming registered auditor
- Specialization in audit firms not so easy (chicken and the egg):
firm needs assignments in public sector to create specialists,
but firm needs specialists to get assignments in public sector



3. Role of universities in ...

- **Training new graduates:**
- Bachelors/Masters in (applied) economic sciences: finance, accounting, audit are an important element in these programs, but mostly not applied for the public sector
- Ba/Ma in law: procurement regulations, organization of public bodies, function and organization of courts, EU legislation, but education in accounting, finance, auditing is scarce
- Ba/Ma in public administration and management: public policy and management, public budgeting, relationships politicians –officials, but education in accounting, finance, auditing rather scarce
- → Need for multidisciplinary approach combining elements of previous programs

3. Role of universities in ...

- **Updating audit institutions staff:**
- Audit institutions often have jobs for young academic graduated people, of whom many have one of the former degrees. There is also input from audit offices: juniors starting in an office and change their job after a couple of years

3. Role of universities in ...

- **Providing research and advisory services:**
- **Major problem:** universities more and more driven by performance indicators based on easy measurable 'impact scores' of papers published in recognized journals ⇔ contrary to emphasizing real word questions and examining according difficulties
- E.g. research on single audit, importance of audit risk, audit quality, audit pricing, user needs, ... is very scarce:
 - is single audit really leading to an increased audit efficiency?
 - Procurement of audit services lowest price only criterion?
 - ...

3. Role of universities in ...



- Consequences changed academic objectives:
 - Research aiming at papers in highly ranked journals
 - Less attention of researchers in stakeholder questions, problems
 - Publication management: submitting papers in journals after a trade-off impact score journal vs ability of getting paper published; maximizing number of publications, not contents of the research
 - Researchers working together in increasing number published papers, not in terms of research problems themselves; for certain papers more than 300 authors!
 - Drifting apart of academics ↔ practitioners
 - Academics less valorized by real world for scientific added value, but appraisal by internal performance indicators

3. Role of universities in ...

- **Providing advisory services:**
 - Postexperience training
 - Involvement in steering groups and multidisciplinary commissions
 - Providing internships for Audit institutions
 - Organizing master theses focusing on research problems occurring in oversight bodies, audit institutions, non-profit organizations



Questions?

	<p>ARPS Accounting Research Public Sector</p> <p><i>in samenwerking met</i></p> 
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