

LOCAL PUBLIC SECTOR AUDITING

“AUDITORIA DEL SECTOR PÚBLICO LOCAL”

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XIII Congreso AECA Oviedo 9/2005

Simposio Internacional:

Local Public Sector Auditing



1. State of Affairs Public Sector Auditing Belgium

- Since end of 80's > 20 accounting and auditing reforms in governments and non-profits → amalgamation
- Internal Audit:
 - Level of organising very low after 20 years
 - Not inspired by professional standards (e.g. IIA)
- External Audit:
 - Governmental activities → Oversight Bodies + SAI
 - Business-like activities → Chartered accountant
 - A few have officials or accountant as auditor

1. State of Affairs Public Sector Auditing Belgium (2)

- Problems public sector auditing reforms:
 - 1/ External audit assigned to completely different auditors of which some have no qualifications
 - 2/ Audit methodology, standards, practices and behaviour differ seriously
 - 3/ Different legislators often in disharmony (none of the reforms is similar!)
 - 4/ Audit is misinterpreted in governments: control activities mixed up with audit activities
 - 5/ Difficult cooperation between controllers and (new) auditors

2. Evolution chartered accountants

- ***Evolution up to 2005***
 - **FINANCIAL AUDIT: → audit of the reporting of the activities** (certifying “true and fair view” financial statements)
 - *Traditionally: enterprises last 20y: extension to non-profit*
- ***Possible future developments***
 - **LEGALITY and EFFICIENCY AUDIT → audit of the activities themselves**
 - **Financial audit + Legality audit + Efficiency audit = Comprehensive auditing**

3. Governmental Audit Reform as Part of NPM



Components New Public Management (NPM)	Municipalities 1990	OCMWs 1998	Provinces 2001
Accrual accounting	Yes	Yes	Yes
Long range planning	-	Yes	-
Activity centres	-	Yes	-
Administrative manual	-	Yes	-
Accrual budgeting	-	Yes	-
Budget controllership	-	Yes	-
Cost accounting	In progress	Yes	-
Internal audit	-	Yes	-
External audit	Only Oversight	Yes	Only SAI

4. Accomplishments Local Government Audit Reforms

- Implementation rather poor
- Limited compliance prescribed regulations
- Lack of audit qualifications, standards and institution uniting and regulating audit profession
- Difficult relationship with existing oversight bodies and SAI
- Limited financial means

Not yet consequences nor sanctions



5. Possible explanations: difficulties - challenges

- 1. “New-institutional theory”: succeeding organisational reforms: normative, coercive or mimicry reasons?
- 2. Influence oversight bodies and SAI
 -  They need to be transformed to NPM before reforming local governments they control?
- 3. Officials auditors ↔ chartered accountants
 -  Harmonize or unify the two kinds of professions?

5. Possible explanations: difficulties - challenges (2)

- 4. Methodological, juridical and cultural differences:
 - Officials → substantive testing
 - Chartered accountants → risk assesment, audit approach incl. procedure testing, compliance tests and substantive testing
 - 🖱️ Exchanging audit approaches and methodologies?


5. Possible explanations: difficulties - challenges (3)

- 5. Chartered accountant not very much experienced in efficiency audit
 -  Pay more attention to create a framework and expertise for efficiency audit in the governmental sector?
- 6. Need for auditing standards
 -  “Translation” of ISAs to the public sector?

5. Possible explanations: difficulties - challenges (4)

- 7. Cooperation officials – chartered accountant by contracting out audit
 - 🖱️ PPP (Public Private Partnership) as an alternative?
- 8. Create coercive isomorphic forces
 - 🖱️ How to monitor implementation?

5. Possible explanations: difficulties - challenges (5)

- 9. Audit systems adopted mainly for external legitimization (“decoupling”)
 -  How to prevent such “decoupling”?