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## **Debate: The future of public sector audit training**

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Public auditors traditionally have been at the forefront of protecting ‘the public purse’ by validating an accountability system, giving the public confidence in the fiscal behaviour of government agencies. However, with the implementation of new public management (NPM), the gradual need for government services to become more self-sufficient and the increasing collaboration between local governments and external organizations, local government has become more complex—increasing the demand on the audit sector.

### **The changing landscape of the UK public audit market**

Unlike other parts of the UK, local public audit in England, which includes audit of local authorities, National Health Service (NHS) bodies and various other bodies, has seen radical changes over the past two decades. These changes relate to both the content of the audit and those involved in conducting the audits. Led by the work of the then Audit Commission, local public audit in England traditionally had a strong focus on performance auditing. This meant that, in addition to providing their professional opinion on the financial accounts of public bodies, auditors conducted value-for-money (VFM) assessments in which they examined whether local bodies had achieved economy, effectiveness and efficiency in the use of public funds. This broad audit scope contributed to auditors building up deep knowledge of local public services, irrespective of whether they were based in-house with the Audit Commission or in a private sector firm that had acquired local audit work through tenders ran by the Audit Commission.

Statutory changes to auditors’ work were accompanied by a reduction in resources available for audits, with audit fee reductions continuing following the abolition of the

Audit Commission, and the subsequent complete transition of local public audit work to private sector firms. While government policy initially intended the appointment of auditors by local authorities individually, successful lobbying by the Local Government Association (LGA) resulted in the inclusion of a clause in the Local Audit and Accountability Act 2014 that enabled the government to specify one or more organizations to act as appointing persons who could develop a collective scheme for the appointment of local auditors. Following a tender process, the appointing person role was acquired by Public Sector Audit Appointments Limited (PSAA), a company incorporated by the LGA.

Following sector-wide consultation, the National Audit Office (NAO) issued a revised Code of Audit Practice for auditors of local public bodies in 2020. The revised code seeks to enhance the usefulness of audits by changing auditors' work on VFM arrangements and reporting, with auditors now required to report more substantially on VFM arrangements but only if they identify significant weaknesses. Despite the identified shortcomings in the scope of audits, limited thought has so far been given as how to ensure that auditors possess the skills needed to deliver high-quality local public audits.

### **Evolution of local government services and provision**

UK local governments have experienced significant budgetary pressures, incentivizing them to develop and explore different business models to provide services and generate revenues. This move away from the traditional operation of in-house services and the need to generate revenues has created further market orientated complexities, reflected, for example, in a rise of local authority owned companies (Ferry et al., 2018), and widespread investment by local authorities in commercial property (NAO, 2020). These growing complexities require public sector auditors to have technical experience in both public and private markets (ACCA, 2022; Pearson, 2013).

### **Public sector audit training**

With most UK audit trainees specializing in either the public or private market, is the current training provision sufficient to meet the needs of new forms of local government operations? How will current and future auditor training and development meet this need?

Reflecting on the recent reforms discussed above, the current audit framework implemented within English local authorities has been reviewed with a growing number of governmental and research evaluations being produced, which have found that the usefulness of audits to the bodies being audited has reduced while audit firms show increasing difficulty to employ staff appropriately trained and skilled for conducting local public audit work (for example De Widt et al., 2022; Redmond, 2020). This raises the question of whether the changes within the audit market have negatively impacted the profile of the public auditor.

The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Institute of Chartered Accountants in England and Wales (ICAEW) appear to have accepted the challenge of training contemporary accountants by ‘combining their strengths and resources...to serve the public interest across all areas of economic activity, including the enterprise, public and third sectors’ (ICAEW, 2021). The two institutes are exploring working together more closely, in a way that would resemble CIPFA’s existing partnership with the Institute of Chartered Accountants of Scotland (ICAS). The latter collaboration has resulted in a joint CIPFA/ICAS audit qualification since 2016, which aims to better equip auditors for the evolved public audit environment and meet the preference of audit firms, and individual auditors, to be able to move between sectors throughout an auditor’s career.

### **Ways forward**

As educators with academic and professional experience within public sector audit, we applaud these initiatives but question whether they will be sufficient to alleviate quality concerns about public audit. Prior evidence in other jurisdictions highlights the tension when developing a clear certification between public and private sector auditors (Jeppesen, 2012), and this is not what we are proposing. Equally, we do not suggest the re-establishment of a body resembling the Audit Commission; however, there is certainly scope to ensure that auditors undertaking public sector audit are sufficiently trained. Avenues that are worth further exploring include collaboration among audit firms in setting up shared public sector audit expertise and training centres, which would not only support the training of auditors new to public sector audit but also strengthen knowledge-sharing among auditors already active in public audit.

A stronger resourcing and visibility of public audit within the audit firms is also likely to increase the career attractiveness of a public sector focused audit profession and, by doing so, help to better retain audit talent for public sector work.

Importantly, universities, where students have traditionally been able to explore the liberal ideas of business and social sciences, may provide an additional opportunity to develop public sector audit training. Business school accounting degrees commonly include courses on audit; however, in the main, these focus on the private sector with a profit-maximization ideology and ignore the more nuanced, social science skills needed for areas such as performance audits. Innovative course designs could be championed to develop audit skills with an opportunity to develop a more holistic approach to cover the wider context of audit needed with the development of more complex business models.

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