

Digital transformation of public audit Expectations and opportunities

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Our global reach in numbers

219,000
members
and
527,000
students
in **179** countries

67,000 public
sector member
and students
around the world

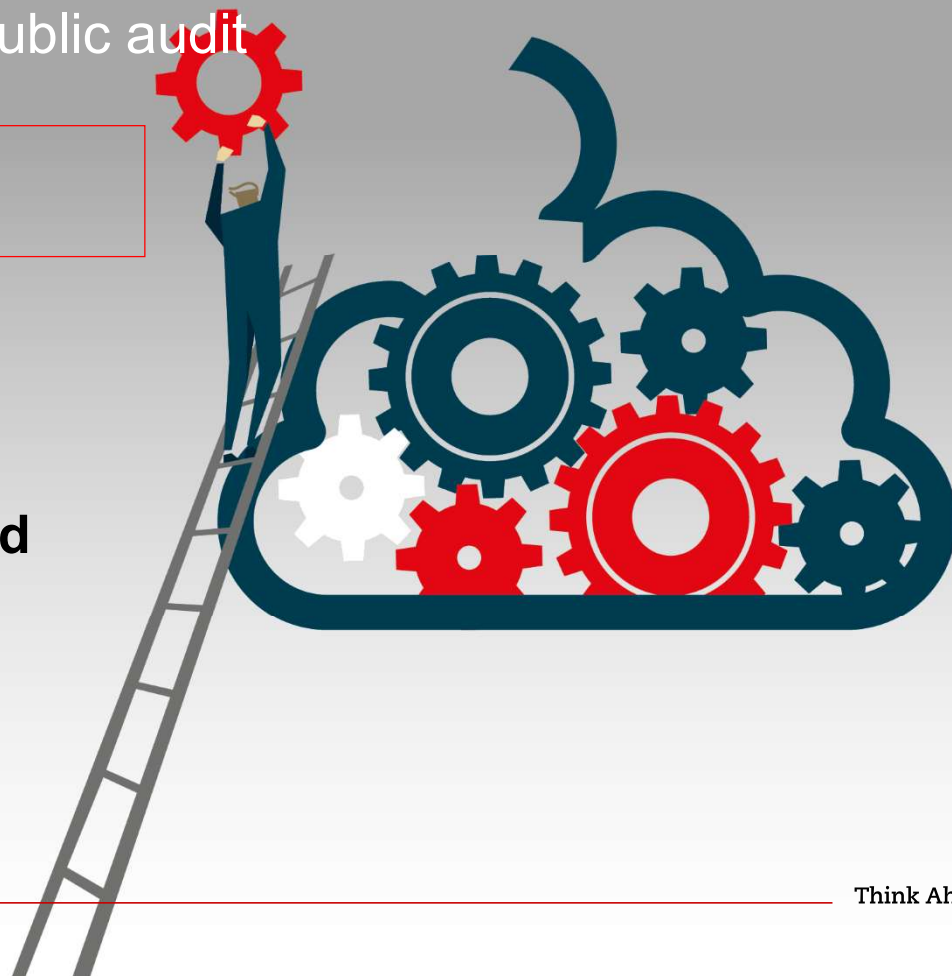
110
offices and
centres
in **52** countries

328
Approved
Learning
Partners

7,571
Approved
Employers

Digital transformation of public audit

- **The expectations gap**
- **Audit and technology**
- **Skills for a digital world**
- **Closing thoughts**



Think Ahead

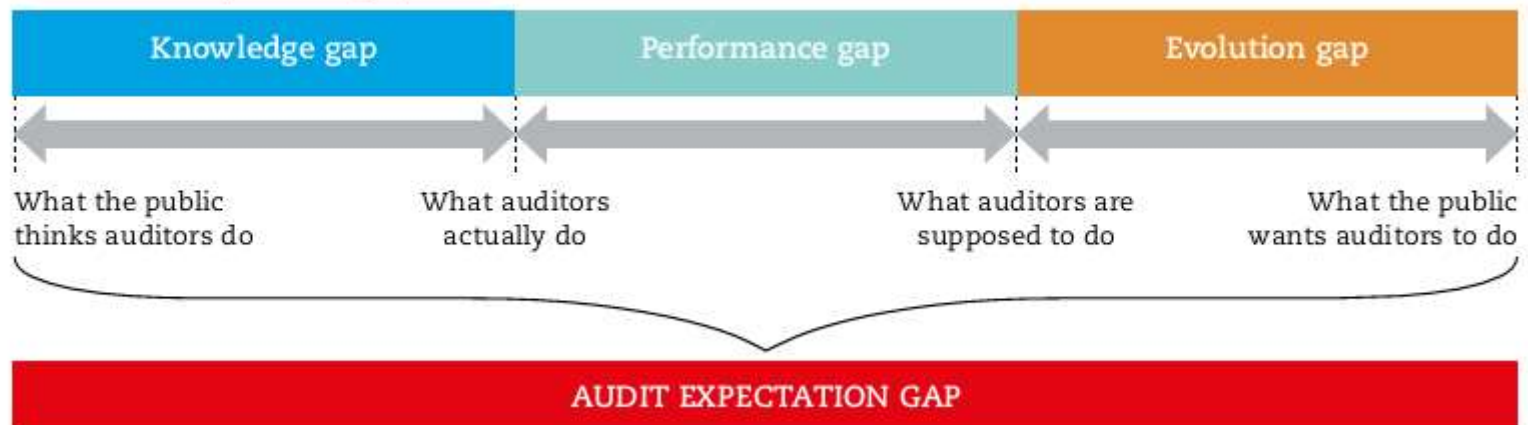
A man and a woman in business attire are working together at a desk. The woman is pointing at a tablet, and the man is holding a pen over a notebook. They are both looking at the tablet. The background is a bright, modern office with large windows.

What is the expectation gap in audit?

“The difference between what the public expects from the auditing profession and what the profession actually provides”

ACCA's suggested approach

FIGURE 2.1: The audit expectation gap



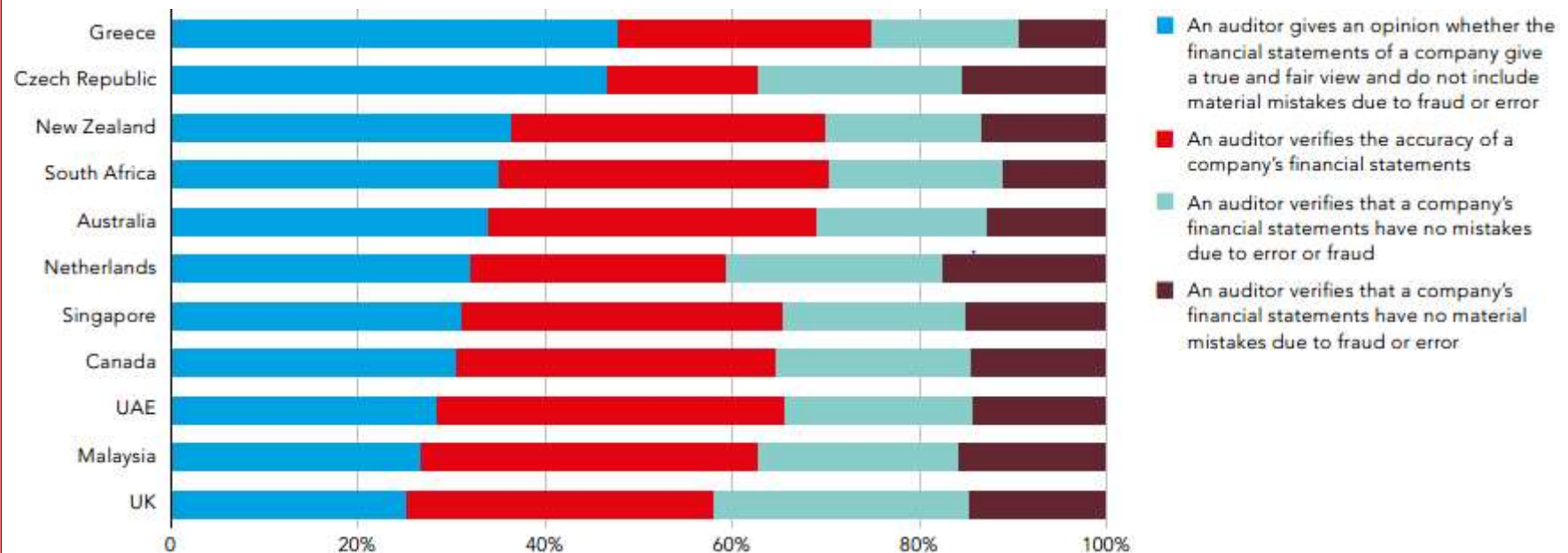
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Our research methodology



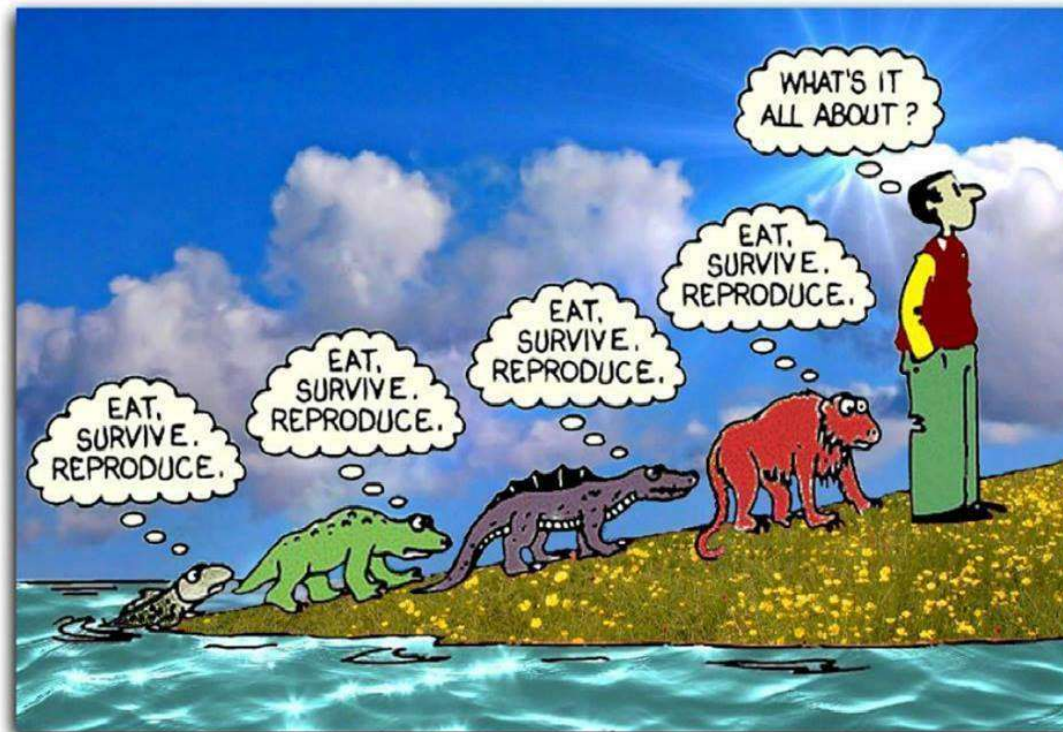
Czech Republic & Greece survey was translated in local language

The public's understanding of the auditor's role



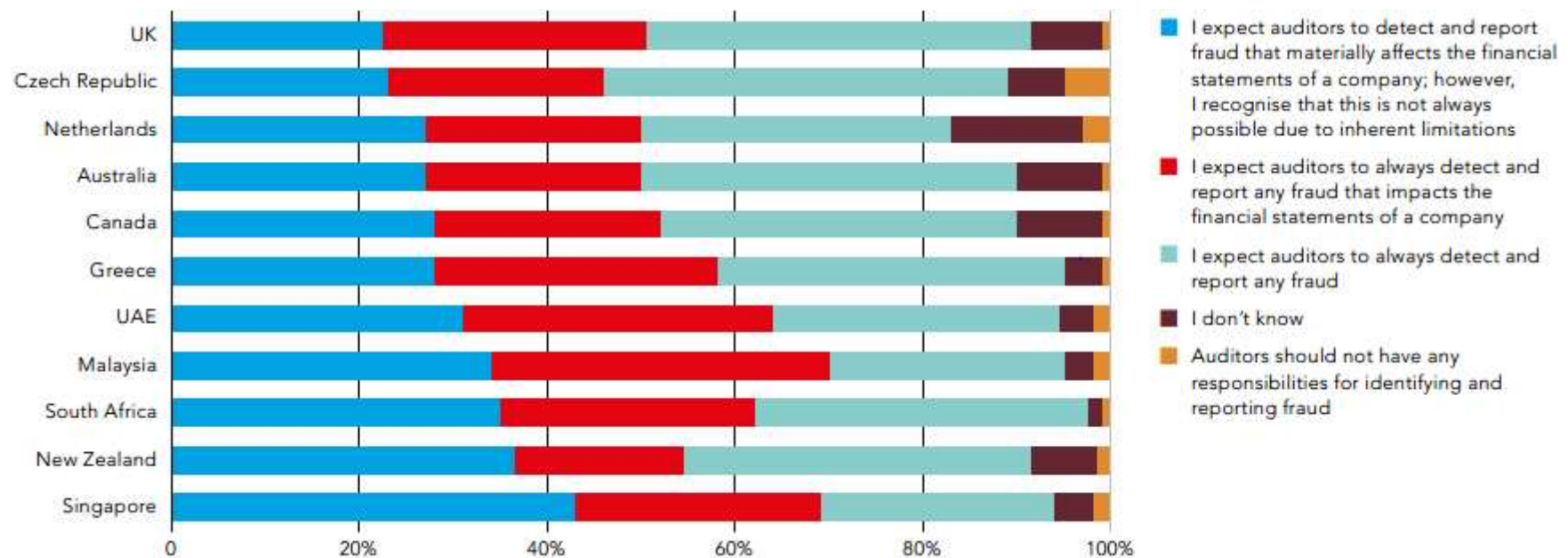
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The Evolution Gap



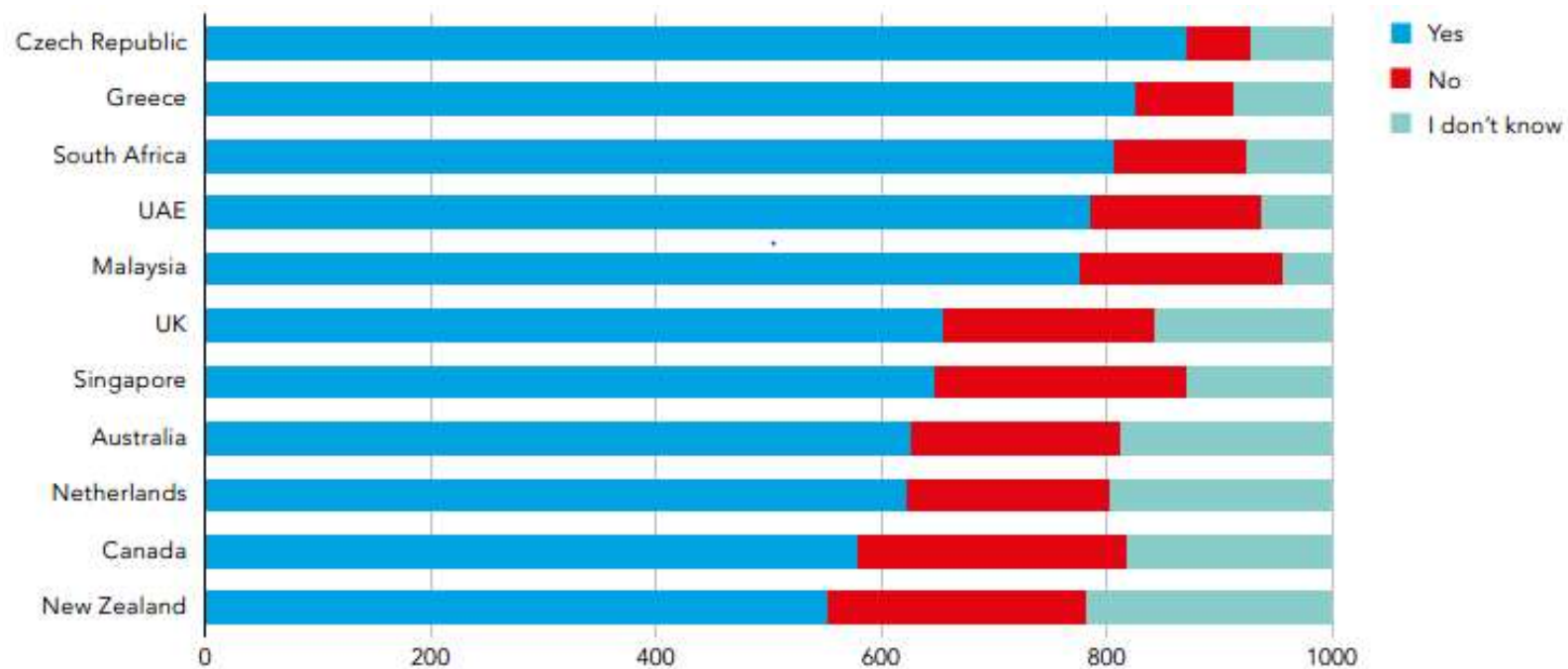
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What does the public expect from auditors in regards to fraud?



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Should audit evolve to prevent company failures?



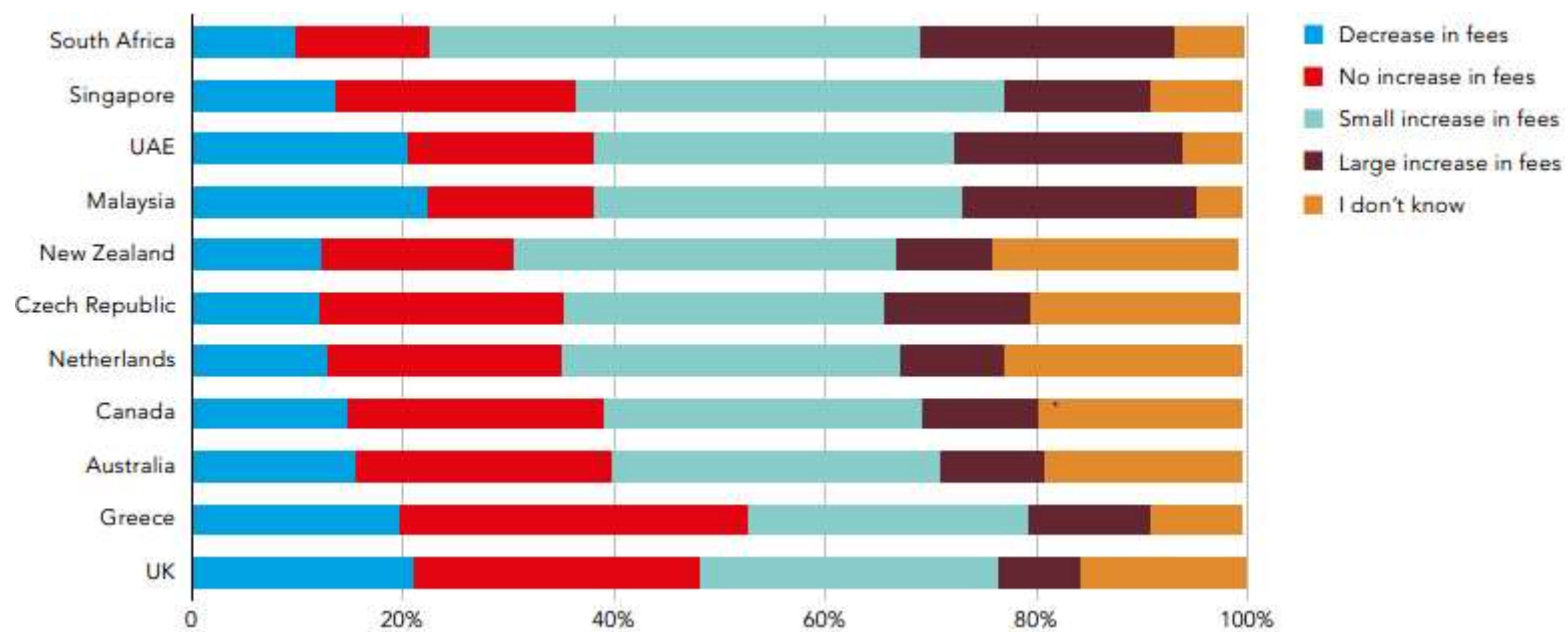
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Public sector context: Carillion Collapse



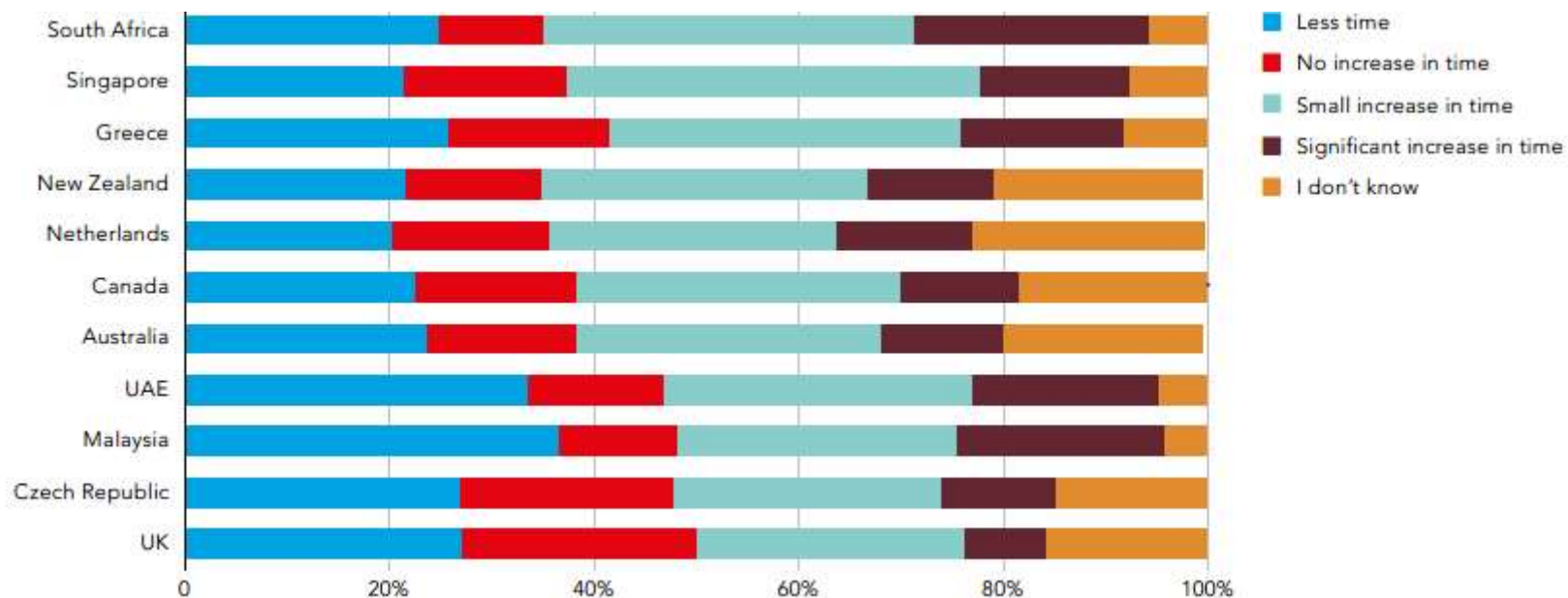
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If your recommendations were about to be implemented, which of the following options best represents your views about fees?



Think Ahead

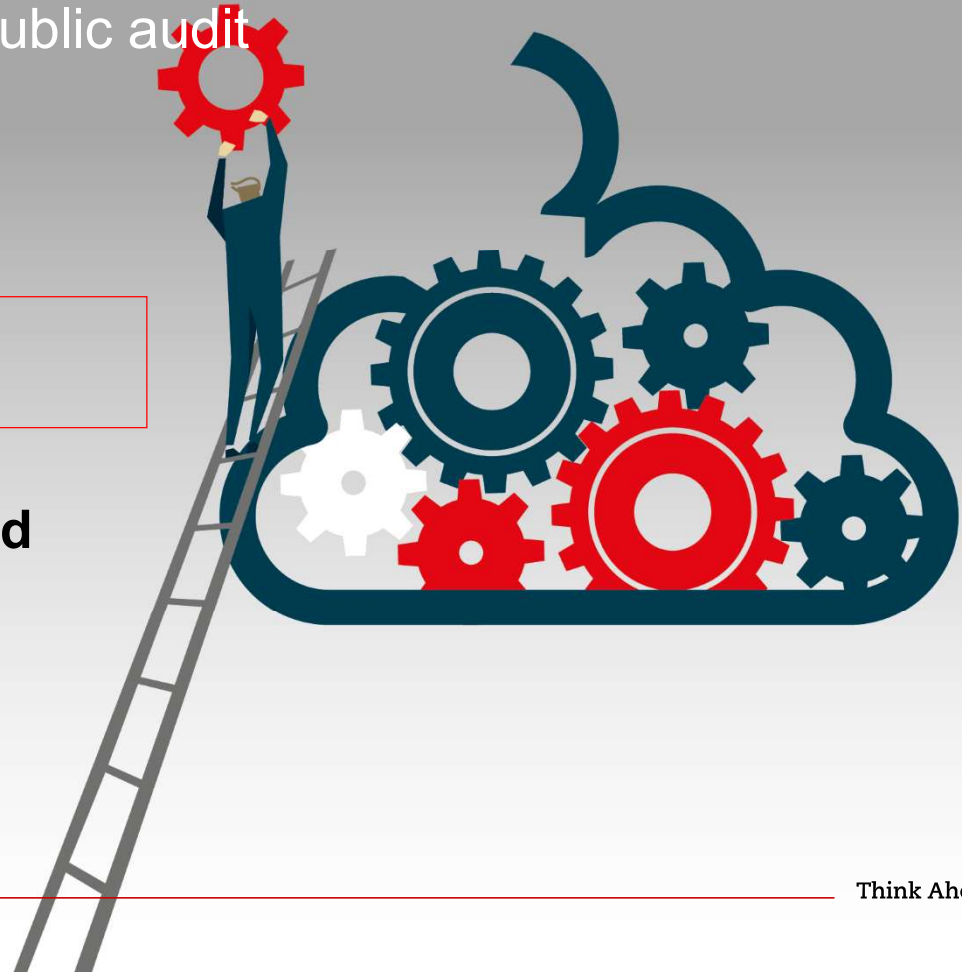
If your recommendations were about to be implemented, which of the following options best represents your views about the time to complete the audit?



Think Ahead

Digital transformation of public audit

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Think Ahead

What drives technological change in audit?

**Increase in
volume of data**

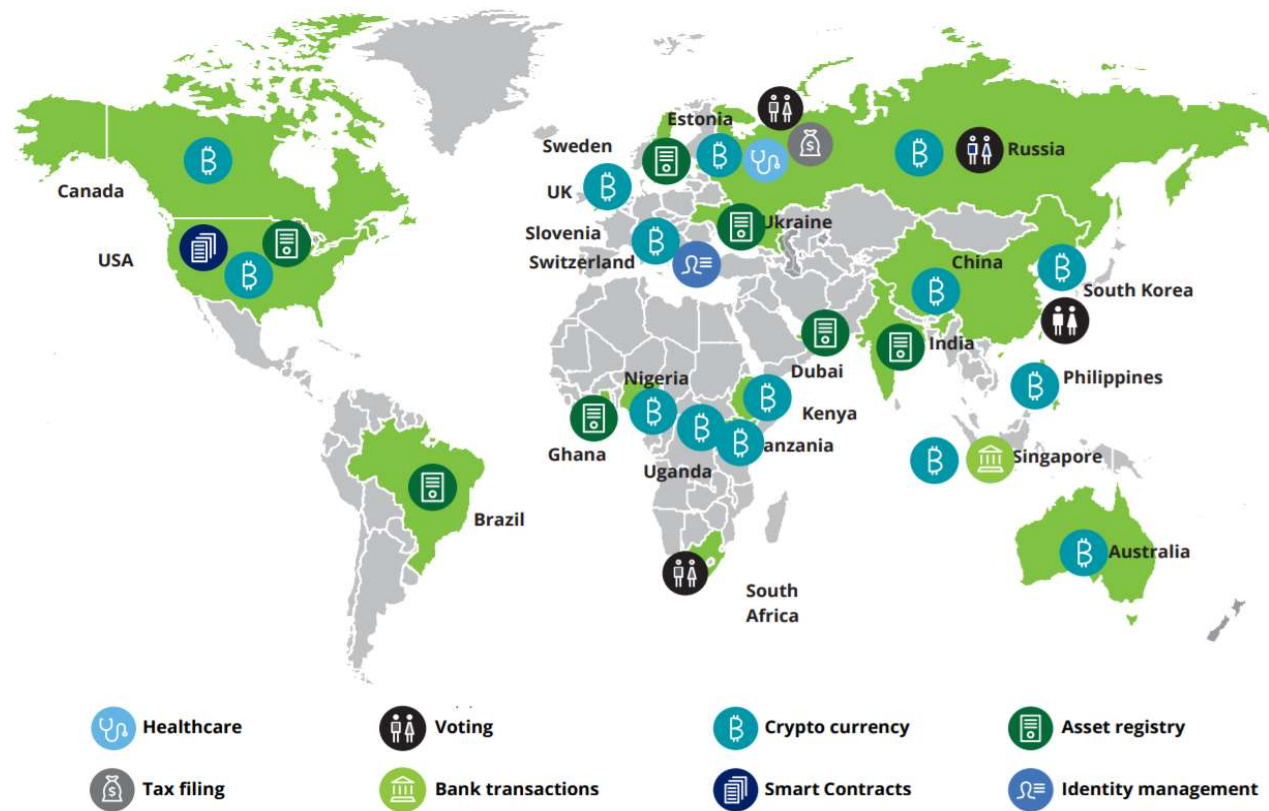
**Changes in
legislature /
parliamentary
expectation**

**General shift
towards
automation**

**Demand for
forward
looking audits**

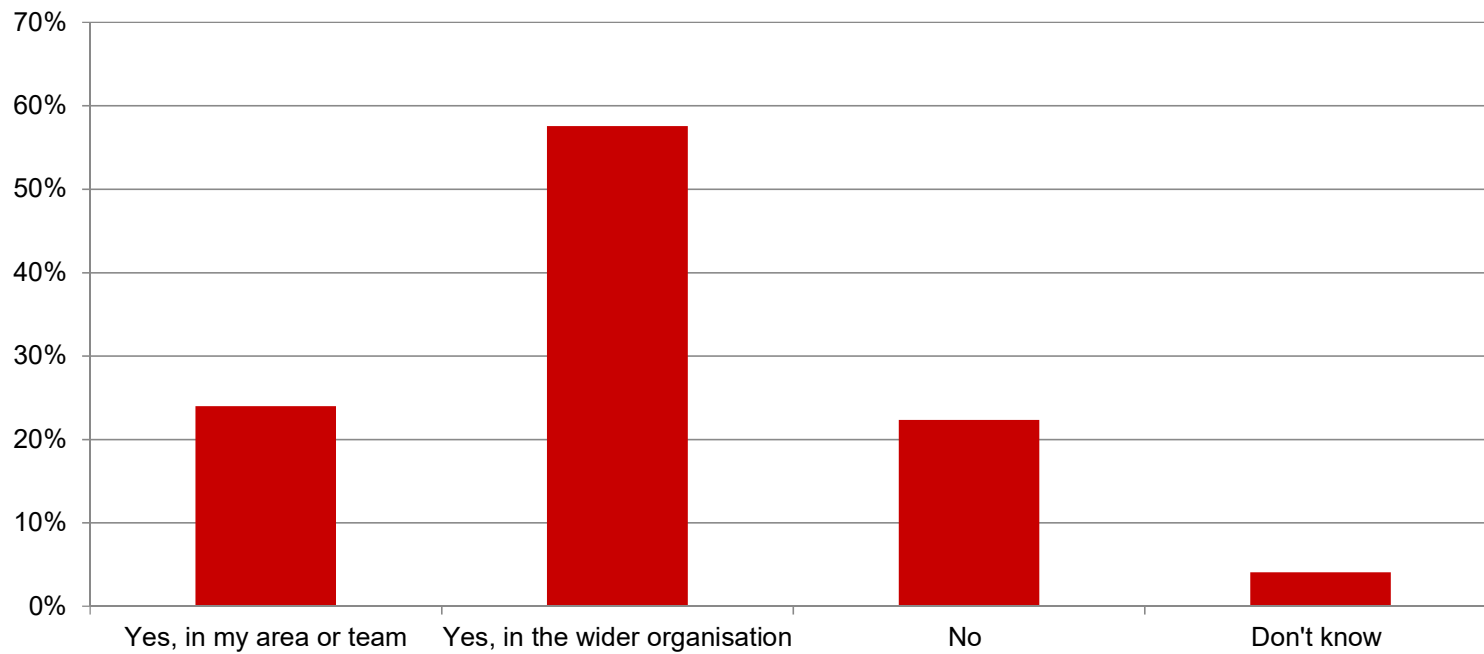
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Technology shaping the public audit environment



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Innovation in Public Finance: “In the last 12 months, has your organisation implemented a technological or data-based innovation?”



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Which are the main technologies impacting audit?

Blockchain

Drone technology

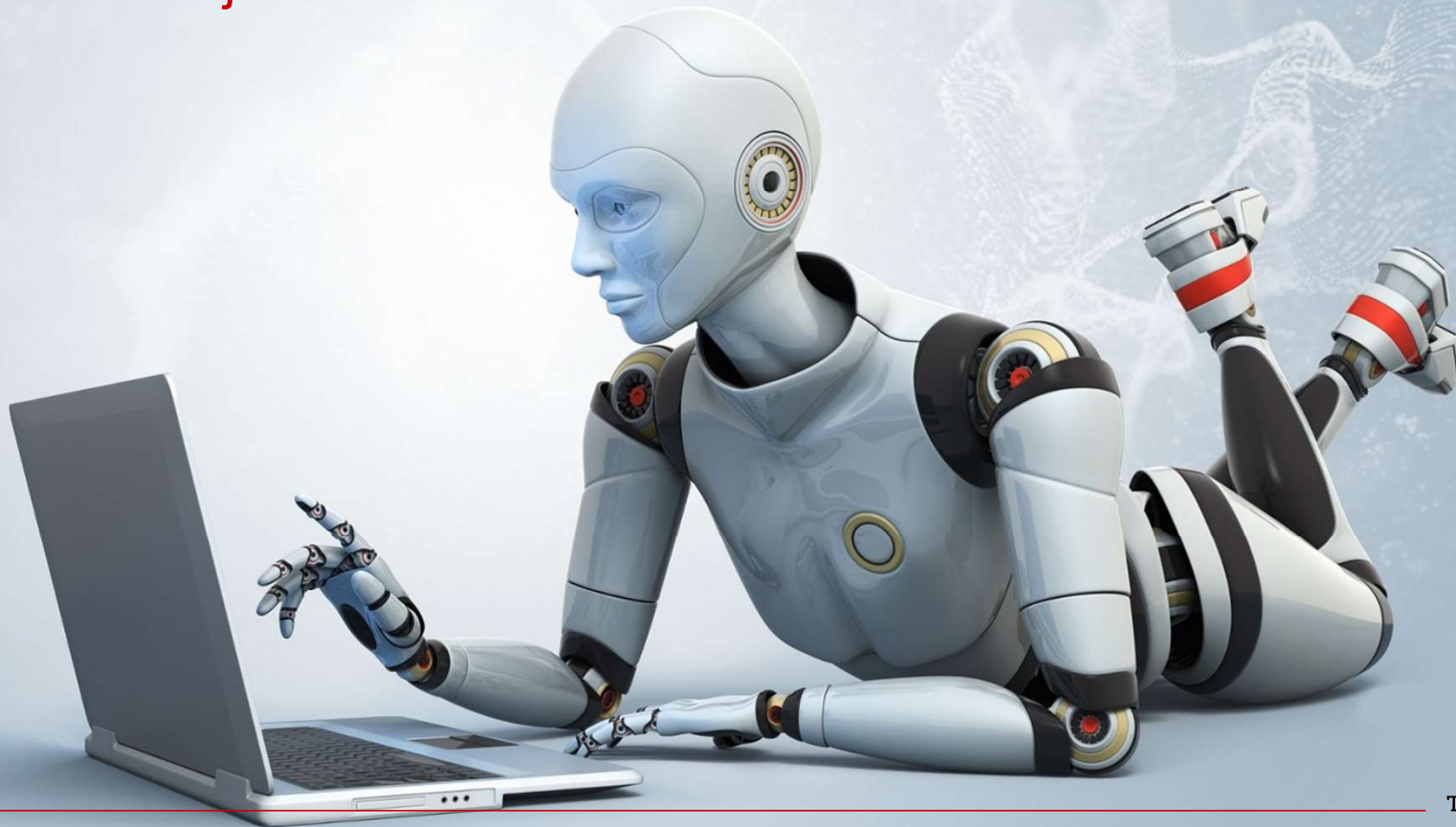
**Natural language
processing**

Data analytics

**AI and Machine
learning**

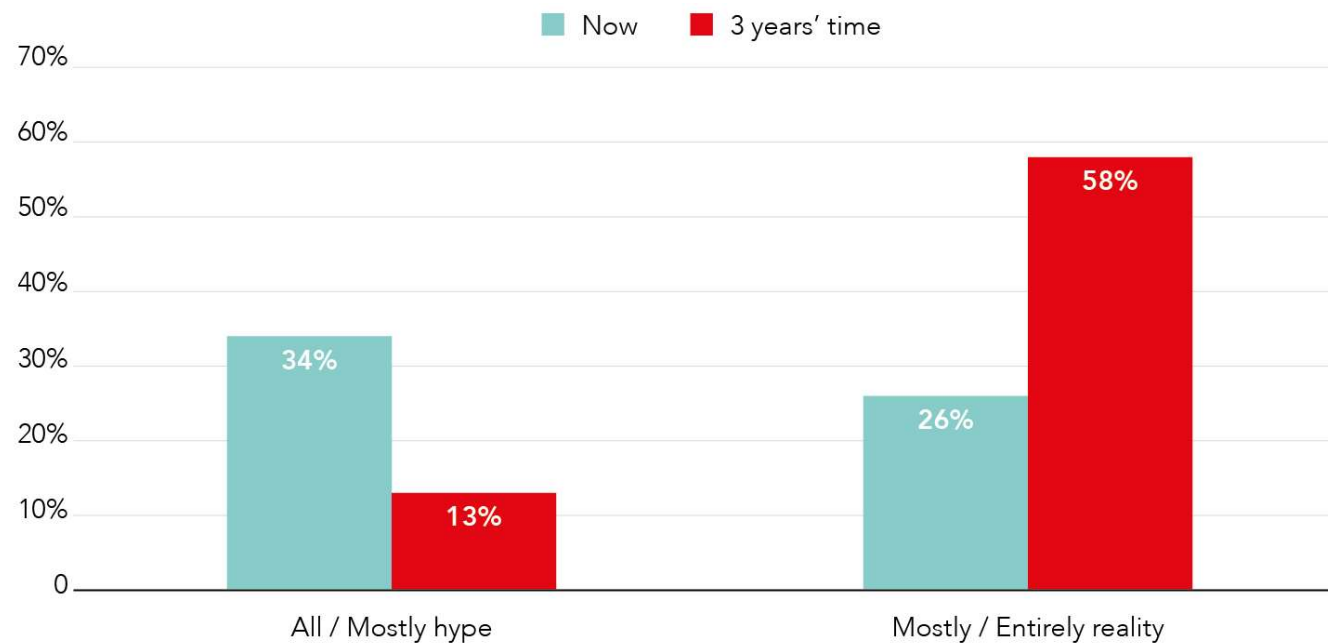
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AI is not just about humanoid robots!



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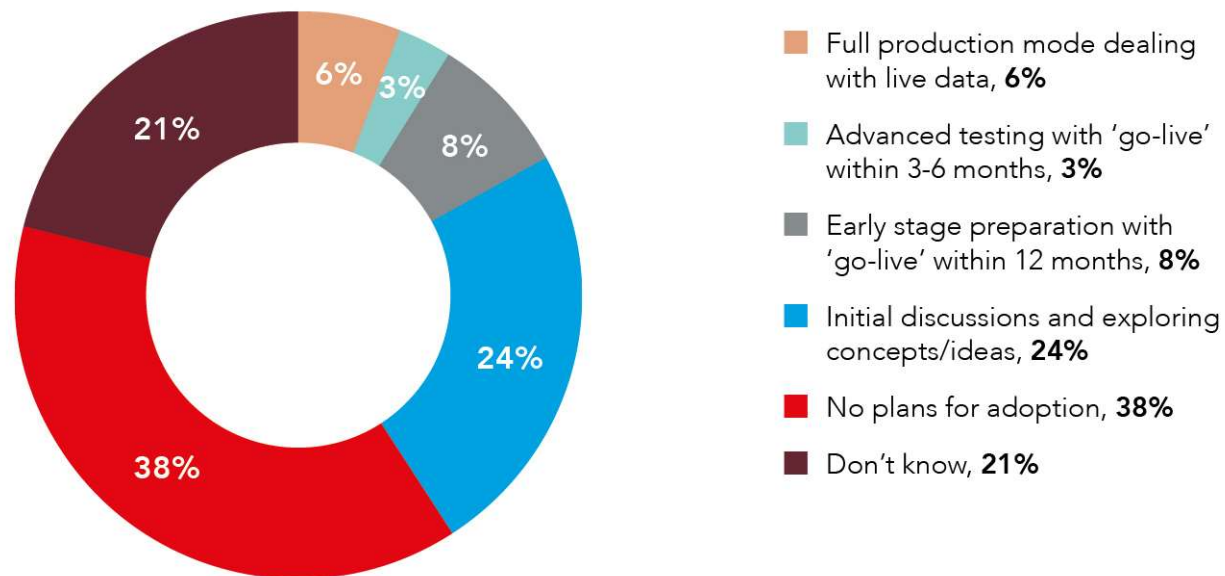
Is AI hype or reality – based on what you see in your working environment?



Note: remaining respondents said 'Equal hype and reality'

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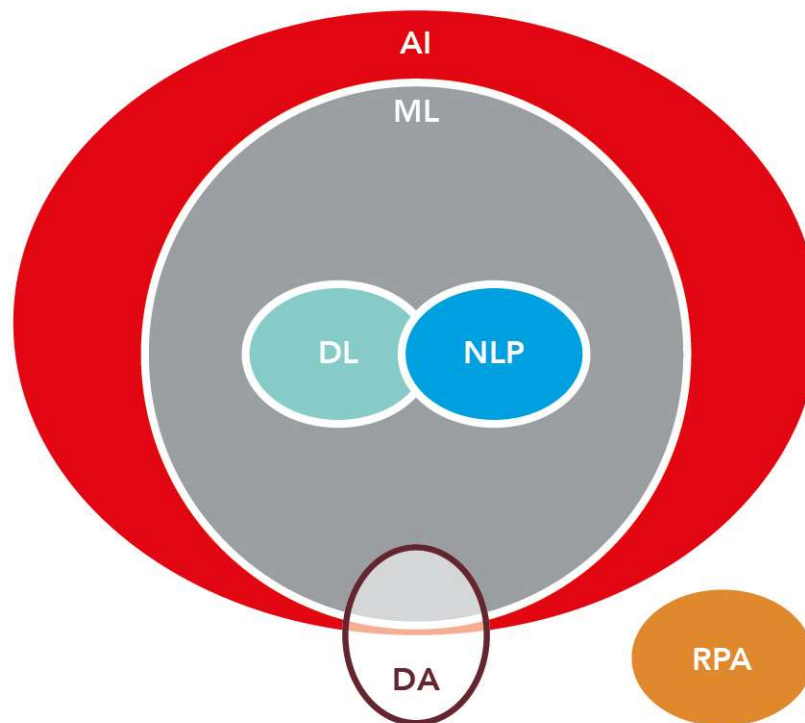
Status of machine learning adoption in my organisation



2 in 5 report adoption related activity

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Navigating a minefield of terminology



ML: Machine learning

DL: Deep learning

NLP: Natural language processing

AI: Artificial intelligence

DA: Data analytics

RPA: Robotic process automation

What does this mean for public audit?

Machine learning

Fraud detection

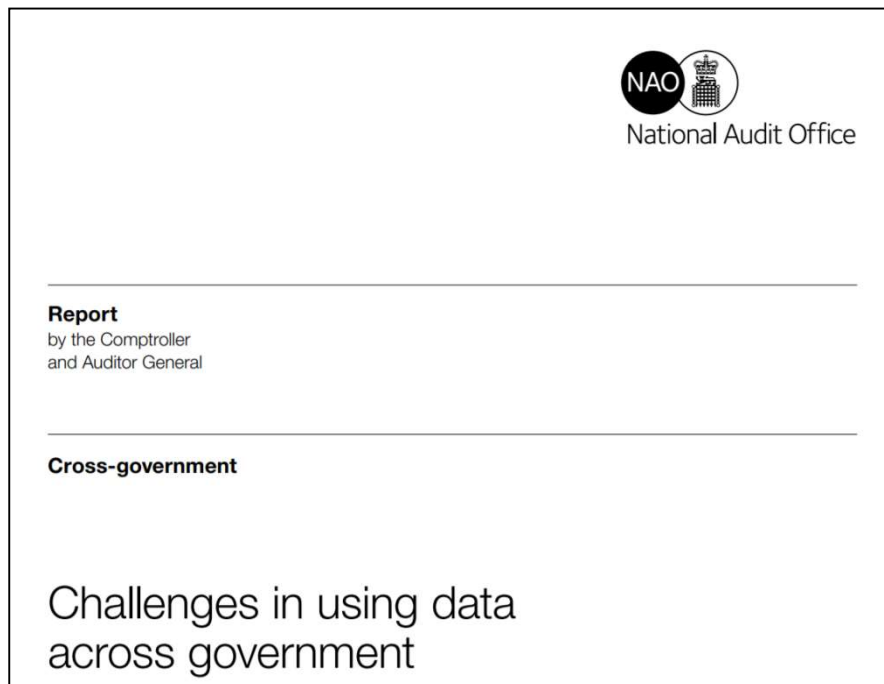
- Moving from testing samples to analysing entire datasets (eg, transactions) to identify specific areas or characteristics that warrant more scrutiny by the public auditor

Blockchain

Permanent audit trails

- Makes records immutable (unchangeable) by operating in an 'append-only' mode.

UK NAO warning on 'magnifying' data problems through AI adoption



Identified 3 substantive issues:

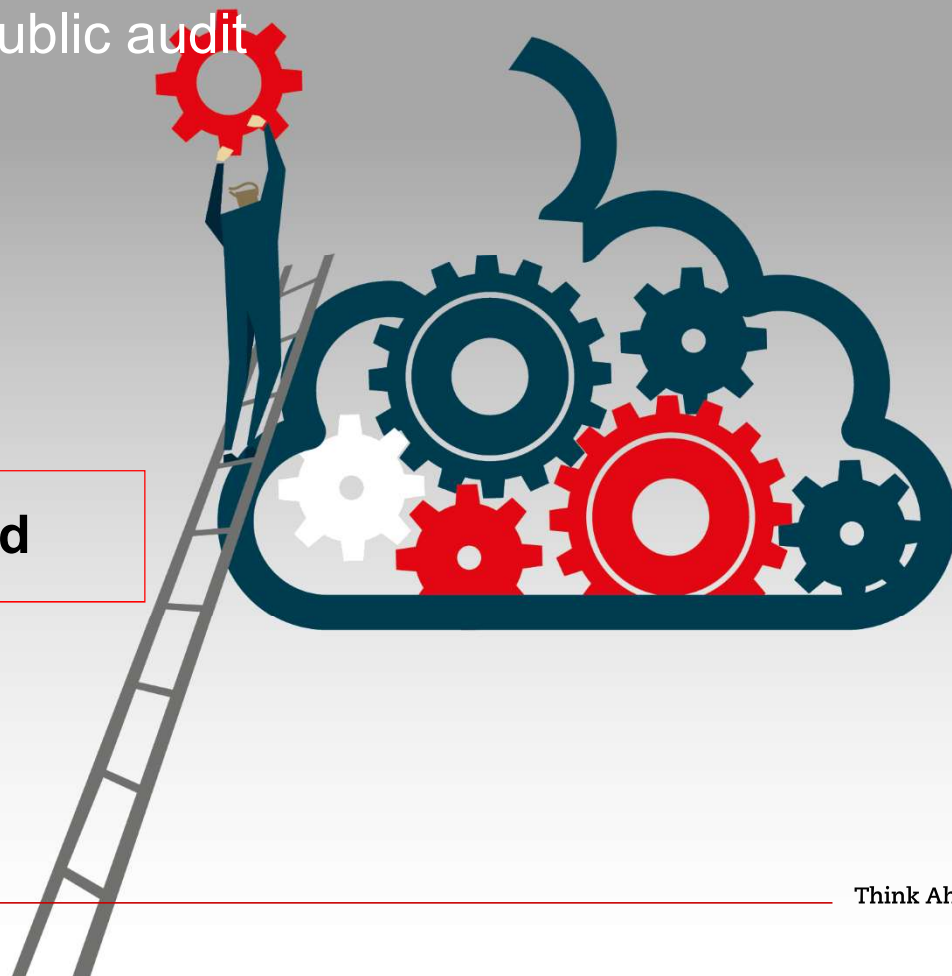
- Data is not seen as a priority
- The quality of data is not well understood in government departments
- There is a culture of tolerating and working around poor-quality data

- Quality data is the foundation for digital transformation
- Dangerous to layer new tech on poor quality data

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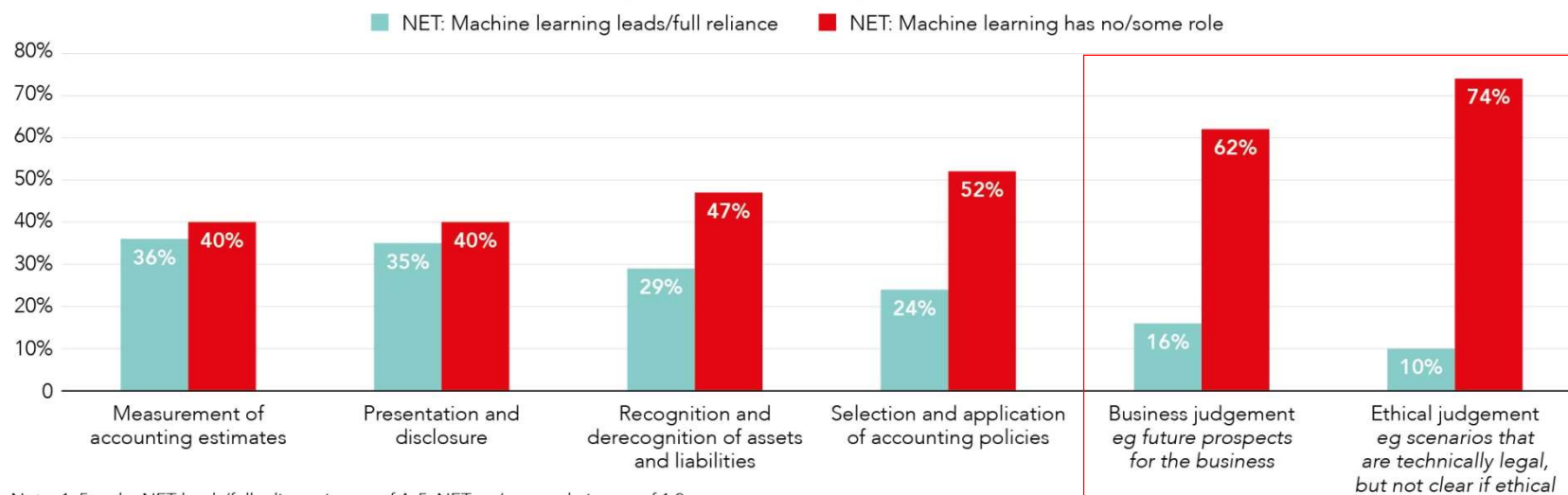
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Can ML be relied upon for judgement in complex scenarios?



Note: 1–5 scale; NET leads/full reliance is sum of 4, 5; NET no/some role is sum of 1, 2

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Opportunity for professional accountants to bridge human and digital (1/2)

- 'Weak' AI does not fully replicate human **contextual understanding and integrated thinking**

Algorithms not created 'magically'(!) – rely on domain knowledge, expertise of people who develop and use them

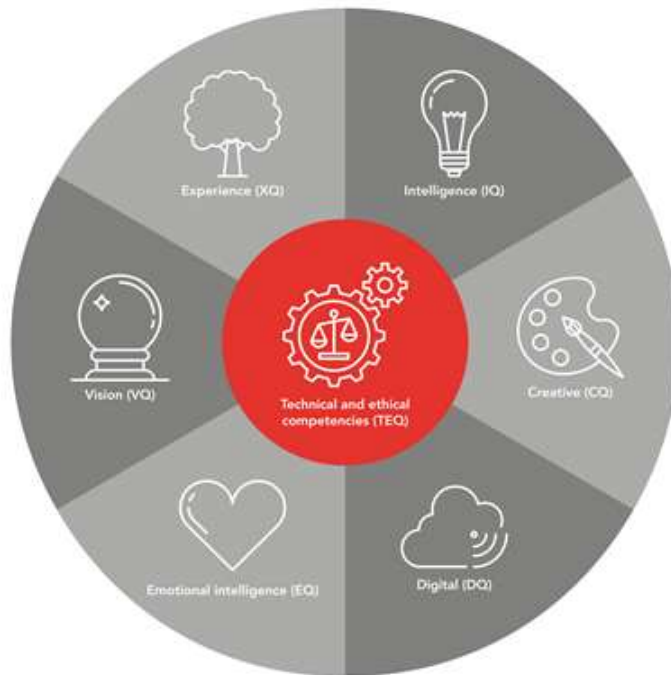
- Legal, societal and cultural values founded on principle that **only individual people** (eg, accountable officers) or corporate entities **can be held accountable**

- Professional accountant is expected to have an **opinion**, and be **liable** for its consequences

- Judgement/interpretation can draw on multiple factors - **future choices not just about past patterns**

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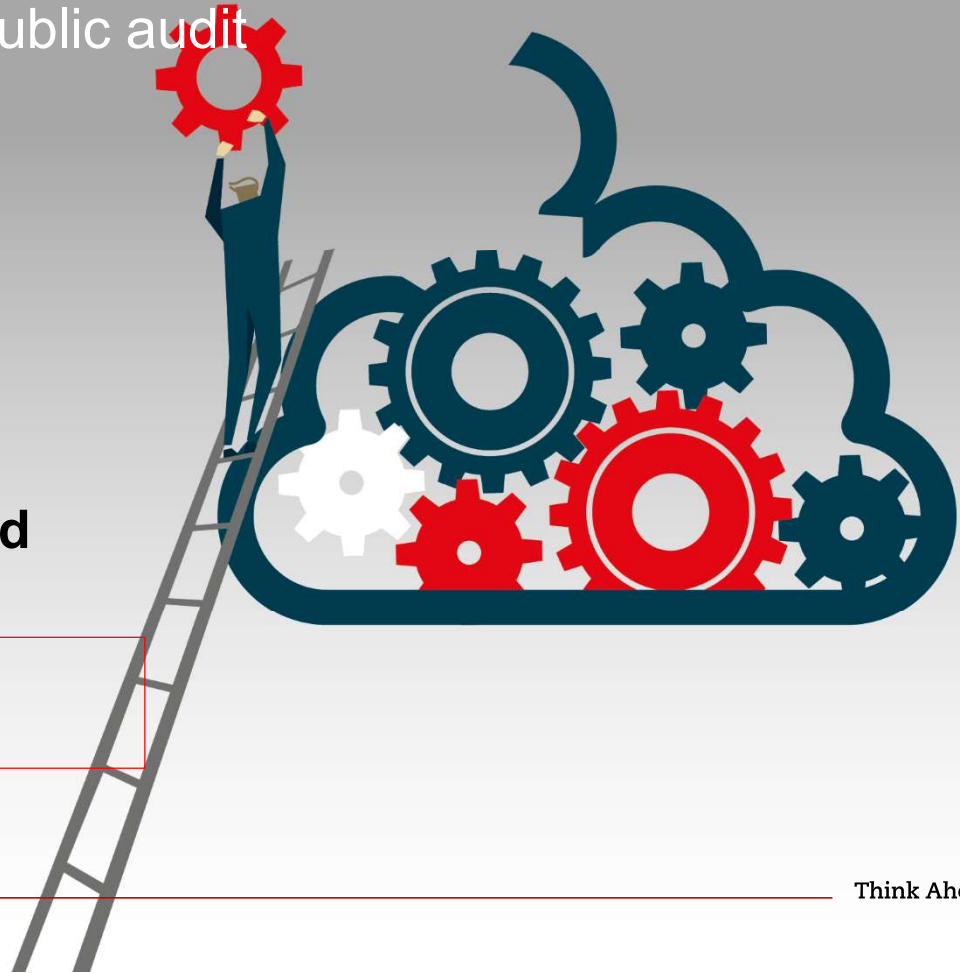
Opportunity for professional accountants to bridge human and digital (2/2)



- Balanced mix of **professional quotients** – DQ and EQ
- Professional accountants **need to remain engaged**, as AI evolves

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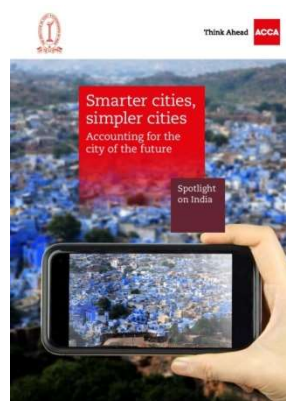
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What does this all mean for public auditors?

- Closing the knowledge gap will be essential in reaching a consensus with users on the future of audit
- A digital future needs data
- Auditors now need to be diversify – with strong auditing, technological and interpersonal skills

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The Power of Digital: Unpacking the implications for professional accountants



What's Next in Public Sector PI?



- How accountants can bridge the global infrastructure gap
- Showcasing good practices in public financial management, a joint series by IFAC and ACCA
- Innovation in public sector finance
- Public audit and the SDGs
- Maximising the benefits of adoptions IPSAS

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Thank you

