



John Buckley, comptroller and auditor general

Appointed head of the State's auditing service last year, John Buckley FCCA brings a lifetime's experience to the role. He talks to *Accounting Matters* about the challenges of transformation in turbulent times

REFLECTIONS IN OFFICE

In the historic courtyards and gardens of Dublin Castle, the buildings that form the Treasury Block give the impression of being an afterthought. But looks can be deceiving. Built in the 1720s, they not only predate most of the Georgian city around them but are, in fact, the oldest purpose-built office buildings in Ireland. Through turbulent history, they are also places of exceptional continuity. Records from the late 18th century show that, at the time of Grattan's parliament, the building's tenant was, as it is today, the comptroller and auditor general.

Watchdog

Today, a modern Government body of some 150 people, the role of comptroller and auditor general (C&AG) as watchdog of public finances is mandated by the Constitution, giving the title holder a level of responsibility that goes beyond the purely managerial. Appointed last year, John Buckley brings to the role a lifetime's service, not just in public auditing, but to the Office itself. Originally from Ardclough, Co Kildare, Buckley joined in 1968 and, when he studied accountancy 10 years later, the choice of ACCA was relatively straightforward, he reflects. The ACCA route was open to public service employees and its international standing gave it the edge on its competitors. The C&AG is today a 'broad school' in terms of qualifications, although ACCA dominates. For Buckley, one of his administrative priorities, as head, is ensuring accountancy expertise permeates the entire service. 'One of the things I've been involved in changing, is that the people we recruit for our financial audit function have to become accountants or leave us – the aim is to develop a fully professional office,' he explains.

Value for money

Auditing not-for-profit public bodies, the C&AG would be largely below the radar of public interest were it not for a decision made in 1993 to add a significant new element to its remit: value for money. Essentially, the Office was given the authority to investigate and report on areas of special interest in the public service and feed its findings back to the Dáil's Public Accounts Committee (PAC). Over the last 16 years, it has dedicated an increasing amount of resources to meeting this challenge meaningfully and about a quarter of all auditors are now involved in this area. For an organisation previously geared to the role of 'classical' auditing, the role of value-for-money investigator brings, Buckley notes, a range of obvious challenges. 'When the Office was simply doing auditing, no one was ever going to criticise it. When you move into reporting on performance issues, you're moving into a more discursive world, where there are different ways of looking at the facts and evidence.' Unlike the team structure common in commercial firms, value-for-money auditors work as individuals and while their findings are always evidence based, the shift to a more subjective mode of operation is not one all accountants are comfortable with. 'Accountants are usually most comfortable when they are in confirmation mode. When you're saying "this is true, this happened", you're in a very different mode to when you're in creative mode, when you're trying to find evaluative criteria against which you will judge what happened,' he notes. The areas selected for investigation are normally programmed well in advance and driven by the principle that the C&AG should contribute something positive to a larger public debate. 'Historically, we have tried to pick from the major Government

reform drives, e-Government for example, or the management information framework. By choosing these, we feel we are contributing to driving change and progress, and giving feedback to the Dáil about how well that is being done.'

Topical

Of course, for many, establishing what is value for money is synonymous with highlighting waste and the C&AG is conscious not only of the need to investigate according to this definition, but the responsibilities that go with it.

The Office publishes a number of special reports every year in areas which have become topical for one reason or another, whether through media coverage, Dáil debate, or because an auditor perceives a risk. Buckley stresses, however, that the findings that come out of these investigations can often be radically different from expectations going in. Government spending in areas as diverse as the Ballymun Regeneration Project, the Army and the National Museum have been the subjects of special reports in recent years.

The vast majority of the C&AG's findings are ultimately implemented by the Minister for Finance (after debate in the PAC) and the decision-making process has moved noticeably faster in recent times. 'State bodies often address issues before reports are published and, in a situation of constrained resources, reduced Government allocations are now driving efficiency as much as any value-for-money examination of State spending,' he notes.

With media attention virtually guaranteed for any of its findings, Buckley is conscious that the Office can easily feed a populist perception that overspending is pervasive. It's a concern that frequently emerges from their clients too. 'They would feel that, perhaps, they don't get enough credit for the positive things; that there's too much of a focus on the exceptions and things that go wrong,' he says. 'The reality is that all our special reports are exceptions. Our audit opinions on the vast bulk of State accounts conclude that, by and large, administration is well managed in the Irish public service.'

Controversy

Buckley is conscious, too, of an expectation gap in the public mind as to their role. Taking, as an example, the recent controversy over procurement and travel expenses in the State training agency FAS, Buckley points out that, on the standard account, the amounts of money involved would not be material enough to affect an audit opinion. 'It's actually quite difficult to explain to people, whether the PAC or the public in general, that when we produce a report

that highlights non-effective spending in a particular niche, it doesn't necessarily impact on our overall auditing opinion.'

The expectation gap is also extended, he believes, to a general misconception of the nature of public organisation and, therefore, a belief that waste is more widespread than it is. 'Public management is complex and while a typical department will have systems to deliver particular services, these are only part of what it does. The other part, maybe the bigger part, is about creating a new path for the future. One only has to reflect on departments' annual output statements to realise that a lot of what they do is about changing from one mode of operating to another. The perception that the State or a State body can be assessed in the same way as a private firm is definitely misplaced.'

New role

The current financial turmoil will undoubtedly bring these conflicts into ever-sharper relief and could, also, conceivably lead to a significant extension of the Office's role. The C&AG is already gearing up to provide more of what it calls 'whole of Government' reporting but, with the country's main banks now partly in public ownership, could its role also be extended to audit them too? Buckley believes the Office will have a significant role to play, but indirectly. 'In theory, the Government could appoint us to audit a nationalised bank but, in reality, it's likely to appoint an auditor from the private sector. Where we come in is in auditing the Regulator, the Central Bank and the Department of Finance. We'll be looking at the whole process of bank stabilisation through different layers: the guarantees layer; the nationalisation layer; and, the investment layer; and reporting on that.'

Of course, the question marks hanging over the financial system haven't spared auditors themselves, and Buckley believes that, in the fallout from recent controversies, options for regulation, going forward, might include involving auditors more in the work of supervision and using embedded systems to throw out exception reports without human intervention, all supported by on-site inspection specified in more detail.

With a lack of trust evident across the financial system, a case can also be made for a return to more traditional audit approaches. 'Modern auditing standards are based on risk assessment and control testing, whereas we need to ensure, in the future, that what's feeding into our risk assessments are genuine indicators of exposure. There is always a danger that too much comes to depend on historic assurance and the older those assurances are the more worthless they become. We have to look at moving back to direct substantive testing at periodic intervals






so that we have objective historical evidence that gives us a basis for our risk assessments.'

Another area where significant change is likely is the move to IFRS standards. Government departments currently account on a cash basis and, as the State raises its revenue in cash, this will always be important in its budgeting and accounting systems, Buckley says. However, the move to IFRS standards is being actively considered for core Government 'and is likely to happen at some stage in the future'.

Horizon

With budgetary constraints now a part of everyday reality, is there a danger that the C&AG could be constrained from developing and expanding its role through simple underfunding? There is always a risk that resources could be reduced, 'but a drastic cut is nowhere near on the horizon,' Buckley says. The C&AG has, in any

case, significant powers to highlight any potential resource gap that would impact on compliance with auditing standards. For a nation still getting to grips with recession, the C&AG will undoubtedly come under the spotlight more and more as highlighting underperformance and waste in Ireland's public services becomes a national pastime. Meeting its remit without succumbing to the urge to sensationalise is a challenge Buckley is keenly conscious of. Ultimately, he believes, it is the Office's independence that will underwrite its credibility at a time when many old certainties have vanished, both within the Office and without. 'All we can do is look at the world through our lens, interpret it, report and stand back. In the past, we were firmly in the facts and confirmation mode, now, to be helpful and relevant, we have to go to the next stage and give some interpretation of the facts. That can be a lonelier and more contentious place.'



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<p>Plenary</p> <ul style="list-style-type: none"> ▲ Niamh Brennan, Michael MacCormac Professor of Management, UCD ▲ Stephen Carver, Lecturer, Cranfield University ▲ Dr Thomas B Courtney, Chairman, Company Law Review Group ▲ Ed Gibson, Chief Cyber Security Adviser, Microsoft UK ▲ Eleanor Gill, Chief Executive, Consumer Council for Northern Ireland ▲ Alessio Miranda, Head of Internal Audit, AIB ▲ Mark Pollock, International Speaker, Adventure Athlete and Author ▲ Philip Radcliffe, President IIA-UK & Ireland ▲ Margaret Sweeney, Chief Executive, Postbank 	<p>Breakout</p> <ul style="list-style-type: none"> ▲ Emer Daly, Company Director ▲ James Kavanagh, Senior Consultant, Watson Wyatt ▲ Des O'Neill, Managing Director, Omnipro ▲ Patricia Sheehan, Deputy Director of Audit, Office of the Comptroller and Auditor General ▲ David Smith, Director, IMS Risk Solutions ▲ Philip Smith, Partner, Arthur Cox
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	Date
	22-24 April 2009* *registration optional on evening of 22nd April
	Venue
	Knightsbrook Hotel & Golf Resort, Trim, Co. Meath
	Fees
	Cost of the full conference (Arrive Wednesday 22nd April; Depart Friday 24th April at 3pm, including 2 night's accommodation) €850 for members €950 for non members <i>A number of other price options are available including an early payment discount.</i>

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