

Building Trust: *a Scottish and UK perspective*

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 **AUDIT SCOTLAND**

- **Audit Scotland: who do we audit?**
- **A challenging operating context**
- **What does trust in public audit mean?**
- **How can audit nurture and safeguard trust?**
- **What does all of this mean for Audit Scotland?**



Who do we audit?

Accounts audited in 2019/20:



180

Local
government



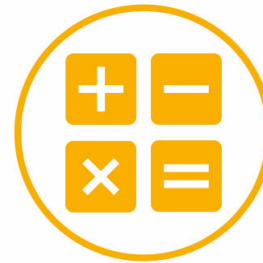
73

Central
government



23

NHS



21

Further
education





A populist post-truth era

- Wisdom of crowds, or rule of mob?
- Evidence and experts under threat
- Brexit



SNP commitment to second Independence referendum

Audit in the spotlight

- Major UK audit failures (Patisserie Valerie, Carillion, BHS)
- Kingman, Brydon and Redmond
- Risks to public audit

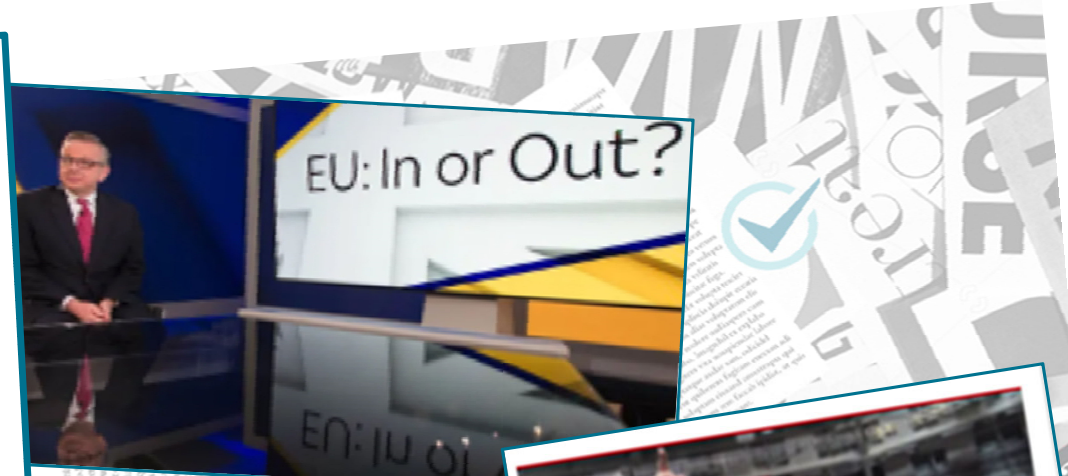
A populist post-truth era

Michael Gove has refused to name any economists who back Britain's exit from the European Union, saying that...

“

... people in this country have had enough of experts.

”



Trump has made 10,000 untrue claims as president, factcheckers say

Audit in the spotlight



High-profile failures

- PwC
- KPMG
- Deloitte
- EY
- BHS
- Carillion
- Patisserie Valerie
- Thomas Cook



What do we mean by trust and trustworthiness?



Trust: “firm belief in the reliability, truth, or ability of someone or something”



Trustworthiness: a moral value considered to be a virtue. A **trustworthy** person is someone in whom you can place your trust and rest assured that the trust shall not be betrayed.



Why does trust matter?



Without Trust we cannot stand!

*“There are **three things** we need for government: **weapons, food and trust**. If a ruler can’t hold on to all three, he should give up the weapons first and the food next. **Trust should be guarded to the end.**”*

Confucius, 551 – 479 BC



Why does trust in audit matter?

Instrumental reasons

- Public and stakeholder support for our work
- Reduced transaction costs with auditees

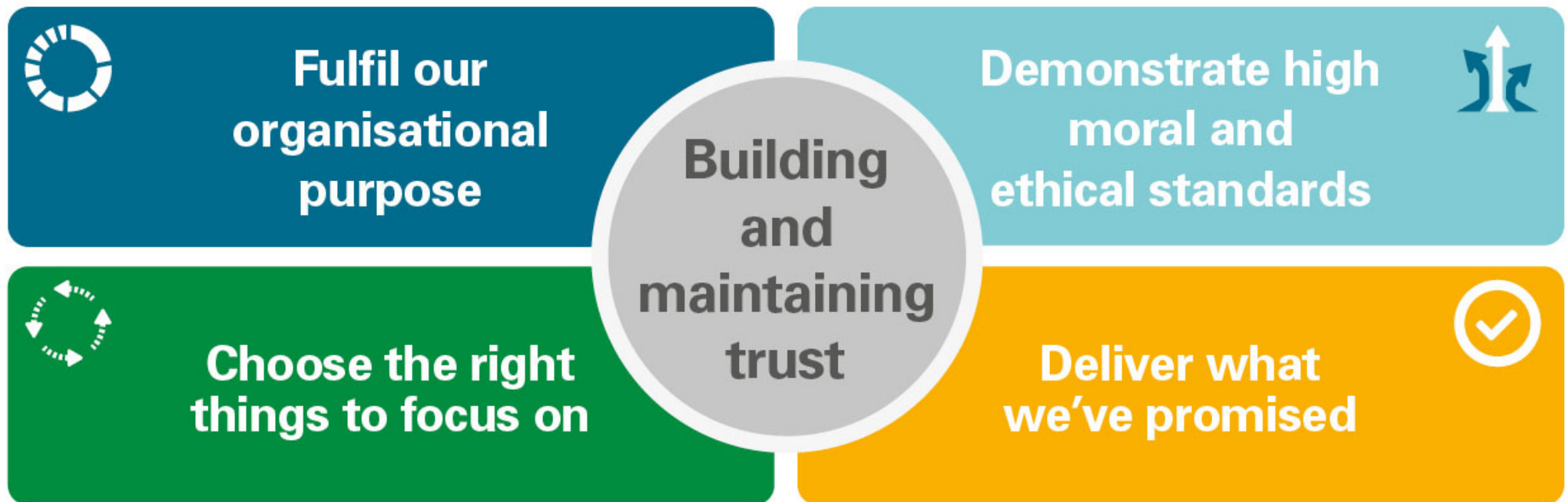


Intrinsic reasons

- We are in a position of authority and influence
- Our position is legitimised by trust as much as legislation



How we build and maintain trust



Why trusting audit organisations is hard

Interpersonal trust



Close relationships



Intimate knowledge



Mostly symmetrical power relations

Trust in audit organisations



Impersonal relationships



Lack of knowledge



Asymmetrical power relations

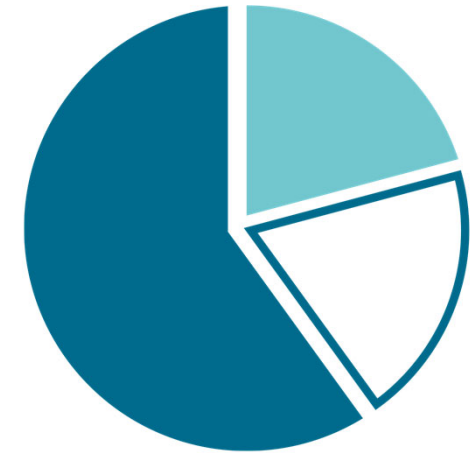
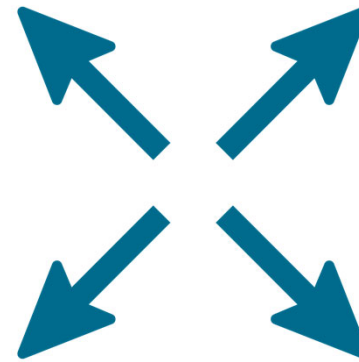
Does audit help or hinder trust?

“An exploding audit culture drains the public sector”

Power (1994) and O’Neill (2002)

Audit does not improve accountability:

- It removes professional judgement
- Creates perverse outcomes
- Undermines trust in public services



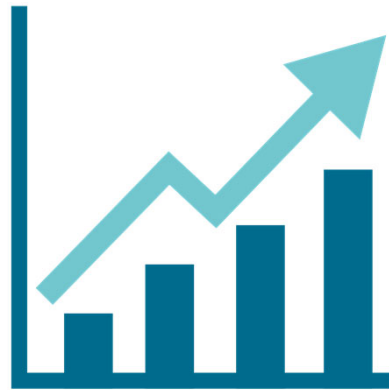
How can audit improve trust in public services?

- Audit is an important part of the **wider system** of public accountability
- We give the public **independent assurance** on performance and use of resources
- We not only **hold to account**, but also **help to improve**
- Our positive assurances and less-well reported good news **stories build confidence** in public services
- Audit can build **trust by empowering** the public



Empowering the public to build trust

- Public involvement in audit selection
- Public participation in audit activity
- Audit engagement with key interest groups
- Empowering through information



Audit Scotland's youth panel



2 year collaboration with Youth Scotland:

- 16 young people aged 12-23
- 8 panel meetings and 3 residentials
- Young advisers gaining Dynamic Youth Awards

Objectives:

- Help ensure young people's voices are reflected in our audit work
- Help raise awareness of our work amongst young people



What have we learnt?

- Very valuable in helping shape audit work and **raising awareness** of issues affecting young people
- **Takes time** to build trusting relationships
- Significant **investment of money and time** (AS staff and the young advisers)
- The young advisers have been very **positive** about what they have got out of being involved in the panel article)

Now need to consider how to build on and embed the panel's work after the 2 years end



" I've really enjoyed talking about education in our meetings. It's made me think more about how kids are struggling at school. It's great getting to give our side. Kids and adults see things differently. "

Name: Jacob Kennedy
From: Parkhead, Glasgow
Age: 15





Selecting relevant topics

- Stakeholder engagement (Parliament, policy experts, community groups, service users) to manage the expectation gap and increase the credibility and impact of our work



Quality systems

- Independent appointment of auditors
- INTOSAI and ISA compliance, independently assessed
- Comprehensive staff training and greater use of external experts



Reporting

- Clear judgements that speak truth to power when necessary
- Plain English reports and different reporting tools
- Conferences, workshops, briefing papers and Round Tables
- Parliamentary support and engagement

A final thought

*"At a time when information is everywhere and **there is no obligation on users of the internet to be truthful**, it matters even more that shareholders, and others, can trust what directors are communicating. Auditors have a unique advantage in having the **right to see everything that goes on in a company** and to assess whether that trust is deserved."*



Report of the independent review into the quality and effectiveness of audit

Sir Donald Brydon, CBE, 2019



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