

ORIGINAL ARTICLE

Juggling between ex-ante and ex-post audit in Greece: A difficult transition to a new era

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Supreme audit institutions (SAIs) contribute decisively to the quality and efficiency of financial management in each country. Over the last few years, SAIs have adopted new approaches to government auditing, which has led to a fundamental change of the public finances control model.

However, the Hellenic Court of Audit still follows a traditional model of preventive audit in almost all transactions of public entities without parallel performance audit. This paper looks at which audits are deemed effective by auditors and auditees. The research result shows that both categories converge on the view that the existing system needs to be modernized, despite difficulties that seem to delay progress. This article will be relevant to other SAIs that are in a transitional period.

KEYWORDS

accountability, external audit, public sector audit

1 | INTRODUCTION

In the public sector, external audit is conducted on public entities by the independent supreme audit institution (SAI) of each country. An SAI, as defined in International Organization of Supreme Audit Institutions ([INTOSAI], 2016, article 2, §2), is

a public body of a state or supranational organization which, however designated, constituted or organized, exercises, by virtue or law, or other formal action of the state or the supranational organization, the highest public auditing function of that state or supranational organization in an independent manner, with or without jurisdictional competence.

SAIs provide external audit services and do not constitute part of the organizational structure of the audited entities (INTOSAI, 1988, section 3, §1). Stapenhurst and Titsworth (2001) mention that their legal mandates, reporting relationships and effectiveness vary, reflecting different governance systems and government policies. Santiso (2006, p. 99) points out the most important differences between these models, which include: “the timing of control (whether ex-ante or ex-post control), its nature (whether emphasizing compliance or performance auditing), its effects (the follow-up of audit recommendations), as well as its status (the legal standing of audit rulings).”

The literature contains several categories of SAIs according to different criteria. However, according to International Standards for Supreme Audit Institutions (ISSAIs) the three most common systems are (International Organization of Supreme Audit Institutions, n.d.-a, §46):

1. The jurisdictional model (Court of Accounts, Court of Audit, or Napoleonic model).
2. The model of the Auditor General (Anglo-Saxon, or Westminster or monocratic model).
3. The collegiate model (or board model).

Jurisdictional systems traditionally focus on compliance, with detailed rules and regulations, but there is often less focus on wider financial management issues relating to the economy, efficiency, and effectiveness (the three e's) of expenditure (Blume & Voigt, 2011). In the jurisdictional model, the SAI is a court and its members are judges who can impose penalties or corrections on audited officials who are normally held personally liable for the sums involved should an unauthorized or illegal payment be made. This model is widespread in countries that have a French legal origin and in some Latin and French-speaking African countries (DFID Department for International Development [DFID], 2004).

On the contrary, SAIs organized according to the Westminster model tend to place greater emphasis on performance audit (value-for-money [VFM] audit), which is oriented towards examining the three e's of public administration. In this Anglo-Saxon system, the SAI reports to a public accounts committee, whereas compliance with laws and regulations plays a secondary role (Blume & Voigt, 2011). It is widespread in the USA, the UK, Canada, Latin America, and Commonwealth countries, including many in sub-Saharan Africa and so on (DFID, 2004).

The collegiate model is based on the Anglo-Saxon philosophy, but rather than being managed by a single person, as in the case of the Auditor General model, it is managed by a board comprising several people who make decisions on operations and management by consensus (Blume & Voigt, 2011; Clench, 2010). This model is widespread in Asia, Indonesia, Japan, Argentina, and the Republic of Korea (DFID, 2004).

According to international standards (INTOSAI, 1988, sections 3, 4):

“the traditional task of Supreme Audit Institutions is to audit the legality and regularity of financial management and of accounting.”

However,

“in addition to this type of audit, which retains its significance,”

performance audit is equally important.

“The Supreme Audit Institution's audit objectives—legality, regularity, economy, efficiency and effectiveness of financial management—basically are of equal importance. However, it is for each Supreme Audit Institution to determine its priorities on a case-by-case basis.” (ISSAI 1, sections 3, 4).

The Hellenic Court of Audit (HCA; *Elegktiko Synedrio*), whose structure is based on the French court model (Cour des Comptes), is one of the three supreme courts in Greece (established in 1833), mainly focused on controlling the legality and regularity of public spending. Until recently, it was the only SAI in Europe that did not also carry out a performance audit on the controlled entities, in significant deviation from international standards. It comprises judges with legal backgrounds and auditors with mostly accounting backgrounds. Apart from its judicial tasks, it also carries out preventive audits of almost all transactions of public entities. In practice, “the public entities send their payment orders to the commissioner service of the HCA before execution, for control and approval. The payment order is then either approved by the HCA or—if found illegal or irregular—returned to the controlled entity without a ‘visa’” (Kontogeorga, 2017a). This traditional type of preventive control, which is considered obsolete and has already been abandoned by other countries, is still being practiced by the HCA.

A series of legislative reforms that have taken place over the last 5 years have also formally given the HCA the power to monitor the three e's of controlled entities in accordance with INTOSAI's standards and good practices.

The purpose of this research is to answer the following questions: What types of public audit are deemed effective in Greece? And how does this delay progress towards INTOSAI good practices? It also investigates whether the two categories of respondents (auditors and controlled entities) have the same views and where possible deviations arise.

The answers to these questions are of particular interest because: (a) Many reforms are currently under way in the Greek public administration and in the public expenditure system due to the current economic crisis; therefore, it is worth exploring the opinion of the people directly involved in this process. (b) It is the first time such a survey has been conducted in Greece by distributing questionnaires to the HCA's auditors and audited bodies, aimed at outlining different aspects of the same topic. (c) There are relatively few surveys, even at a global level, concerned with the issue of SAIs, and this contributes to enriching the literature in this field. Moreover, this article might be especially relevant to those SAIs that, like Greece, made reforms in their mode of operation and are in a transitional period.

Lüder (2002, p. 1) considers that, generally, in most countries, “research of governmental accounting, financial reporting, budgeting and auditing is not the mainstream, and only a few scholars are interested in it,” while Posner (2011, p. xv) mentions that although the concept of accountability has been a “cornerstone” of public administration over the years, there is however, precious little focus on SAIs. Hay and Cordery (2018, p. 1) also confirm that “public sector auditing has not been as widely examined as it should”.

The rest of this paper is outlined as follows: Section 2 presents the literature review concerning the positive and negative aspects of ex-ante audit. Section 3 describes the external audit system in Greece, and Section 4 presents the research methodology used in this survey. The results of the statistical analysis and relevant discussion are found in Section 5. Finally, Section 6 summarizes the basic conclusions drawn from the research.

2 | EX-ANTE AUDIT: POSITIVE ASPECTS AND CRITICISM

One of the most important divisions of auditing concerns is the time at which it is performed by an SAI. Depending on this, auditing is divided into pre-audit (preventive/a priori or ex-ante audit) and post-audit (or a posteriori). “Pre-audit by a Supreme Audit Institution has the advantage of being able to prevent damage before it occurs, but has the disadvantage of creating an excessive amount of work and of blurring responsibilities under public law” (INTOSAI, 1988, section 2, §3). Whether an SAI carries out pre-audit depends on the legal situation and the requirements of each country. Pre-audit was a characteristic of the jurisdictional model, which traditionally focused on compliance with detailed rules and regulations to ensure that money had been properly spent (Blume & Voigt, 2011). The ex-ante function, if contrasted with the Westminster model, is perceived to involve a more detailed level of checks (DFID, 2004). However, García Crespo (2005, p. 7) mentions that, “a form of high-level pre-audit is found in Ireland and the United Kingdom and, where the Auditor General has a Comptroller function and is responsible for ensuring that funds are

only issued to the executive for purposes approved by the Parliament.”

On the other hand, according to international standards (INTOSAI, 1988, section 2, §3, §4): “Post-audit [ex-post or a posteriori: an audit taking place after the event] by a Supreme Audit Institution highlights the responsibility of those accountable; it may lead to compensation for the damage caused and may prevent breaches from recurring. ... Post-audit is an indispensable task of every Supreme Audit Institution regardless of whether or not it also carries out pre-audits.” (INTOSAI, 1988, section 2, §4). As most SAIs audit the behavior of government bodies only ex post facto, Blume and Voigt (2011) raise the question of whether government bodies have any incentives to change their behavior in future periods as a consequence of SAI reports.

However, measuring the performance of SAIs themselves is rather complicated; tellingly, only recently did INTOSAI recognize the necessity to develop a model that is universally applicable to all SAIs, irrespective of their structure and geographical location, which was officially endorsed as an INTOSAI tool at the INTOSAI Congress in Abu Dhabi in 2016 (INTOSAI Development Initiative, 2016).

With regard to preventive audits, there are few relevant studies on their usefulness in the literature. More specifically, Almutairi (2000) found that the introduction of ex-ante audit improved the compliance of public entities in Kuwait fairly to moderately, but not very much or to a great extent, according to estimates by the auditors of these entities. What is more, in their research on Switzerland, Schelker & Eichenberger (2010) proposed the extension of the mandate of SAIs to the auditing of the preliminary draft budget (another form of ex-ante evaluation).

Over the last decades, the traditional system has received much criticism for being costly and inefficient. Referring to the Italian Court of Audit, Cogliandro (2000) argued that “this auditing system has become impractical because the number of acts subject to auditing has grown out of all proportion due to the remarkable expansion of State intervention into all sectors of social and economic life.” Moreover, García Crespo (2005, p. 6) mentions that “over the last decades, there is a tendency to minimize its scope and content. Pre-audit is carried out by the SAI in five European countries (Belgium, Italy, Luxembourg, Greece and Portugal) although the number of transactions subject to such scrutiny varies”. These five SAIs are organized as Courts of Audit (jurisdictional model).

In addition, since the late 1970s, a new trend has begun to develop, particularly in the UK, Australia, and New Zealand, better known as new public management. This new public management proposes the abandonment of bureaucracy and the adoption of innovative practices by the private sector; that is, a change in the focus of public bodies from processes to the outcome of processes (Hood, 1991, pp. 9, 16; Hood, 1995, p. 94), or as reported by Lane (2000), a “change from an ‘ex-ante’ to an ‘ex-post’ governance.” The expected benefits of this change include reducing the operating costs of public organizations, improving their efficiency, and the accountability of public officials (Hoque & Moll, 2001, p. 322).

This change has inevitably affected the nature of government control, shifting its focus from accountability and legitimacy to the three e’s. Initially, the activity of SAIs was limited to assessing the legality and regularity of expenditure. The main objective of traditional

audit is to keep entities and individuals accountable for the transactions they manage as well as for compliance with the applicable standards, a process that Light (1993) calls “compliance accountability.” Instead, the primary objective of performance audits can be expressed as “performance accountability” (Barzelay, 1997).

Moreover, the adoption of the new 2002 Financial Regulation on the European Communities’ budget and accounts by virtue of a Council Regulation has largely contributed towards limiting ex-ante audits. According to Montesinos (2005, p. 226), the new regulation inaugurated a new phase for the financial reporting of European institutions, which among others included the managers’ direct responsibility and the new role of internal control: “Consequently, previous centralized controls and in particular the advance approval of revenue and expenditure operations by the financial controller, must be removed, with the check by the accounting officer considered a valid discharge.”

Ex-ante control was based on the assumption that an expanded auditing system could protect administration from breach of law and law enforcement, thus safeguarding the public interest. However, until the late 1980s, the traditional type of auditing became costly and inadequate. Many audit institutions have gradually abandoned the traditional type of auditing to shift to the economy, efficiency, and effectiveness of government programs (performance audit).

In her study for the Office of Canada’s Auditor General, Morin (2001) considers that after the introduction of VFM (performance) audits, the auditor has never before been so closely involved in the management of public bodies. In addition, Morin (2011), in another study for the French Court of Audit, concludes that the advent of performance audit has thus sparked a genuine “migration” for legislative auditors that had become accustomed to concentrating exclusively on the legality and regularity of transactions of the administrations.

Van Zyl et al. (2009, p. 7) mentioned that the demands on “SAIs [have expanded to] go beyond judgments of compliance and accuracy to also evaluate government performance and the value for money obtained through government transactions.”

According to Desmedt et al. (2017, p. 2) “traditionally, the role of SAIs was commonly denoted as ‘watchdogs’ ... nowadays however, some Supreme Audit Institutions (SAIs) have endorsed the role of ‘advisors’ charged with the explicit task of contributing to an improvement of public management.”

However, this outdated system is still in place in Greece, and until the recent reforms the HCA did not have the power to examine the performance of public bodies, limited by its judicial nature to a purely legal approach to audit.

3 | THE EXTERNAL AUDIT SYSTEM IN GREECE

Despite the global tendency to minimize the scope and the content of preventive audit, from 1887 the HCA, until the recent legislative reforms that took place with Laws 4055/12, 4270/14, 4337/15 and P.D. 136/2011, exercised the traditional type of control and had no power to control the performance of public policies, limited to checking the legality and regularity of the expenditure. Economy and efficiency have escaped the aim of the Court of Audit (Sarmas, 2012).

Nevertheless, over the last few years, a series of legislative reforms have aimed at limiting the extent of preventive audits, modernizing the existing mode of public expenditure control, and aligning it with international standards, from which the HCA currently deviates. The full scope of governmental auditing includes both regularity and performance audit. Currently, performance audits in the HCA are carried out, but slowly and are at a pilot phase.

What is more, in the memorandum of understanding made by and between the European Commission, The Hellenic Republic, and the Bank of Greece, the Greek authorities committed "to continue reforms that aim at improving the budget process and expenditure controls, clearing arrears, and strengthening budget reporting and cash management ... and adopt legislation by October 2015 ... to upgrade the Organic Budget Law to: ... b) phase out ex-ante audits of the Hellenic Court of Auditors and account officers (ypologos)" (European Commission, 2015, p. 11). (This commitment under the memorandum was already implemented by Article 10, par. 10 of Law 4337/15 and the preventive control of state expenditure was abolished as of January 1, 2017, while its complete abolition from the local authorities and legal entities of public and private law is to occur from January 1, 2019.)

Currently, the HCA still performs (with some changes due to reforms) three types of audit: (a) The HCA exercises an ex-ante audit of public entities' transactions before the execution of the payment, but after the signature of the contract (preventive audit). In this case, if irregularities are found during the audit, the payment of the expense is cancelled, but the individual's claim against the state continues to exist. (b) The HCA also has the authority to audit high-value contracts (above a certain threshold) prior to their signing (precontractual), which represents another form of ex-ante audit. In this case, if irregularities are found, the signature of the contract is cancelled, but no claim has been created against the state. (c) In addition, the HCA audits the accounts of public accounting officers (people who manage public money, values or material). The HCA exercises ex-post audits of accounting officers of the state, local authorities, and other public entities and decentralized services or special accounts. This type of audit aims to check the legality and regularity of actions not subjected to ex-ante audit. If irregularities are found, the amount is charged to the person responsible. Consequently, owing to the large number of transactions subject to ex-ante audit each year, the HCA pays greater attention to this type, putting ex-post audit in second place.

It is also worth noting that, despite the relevant legal provision since 2006, most public bodies have not yet created and staffed internal audit services, with the result that the burden of identifying infringements, omissions, and so on, is transferred to the external auditor, and in this case the HCA.

An analysis of the data of the annual reports of the HCA for years 1998–2009 shows that in the framework of exercising an expenses preventive audit, out of the payment orders (on average 1,495,271) of all financial management categories (legal entities of public law, local government authorities, special accounts, and central government and the broader public sector) submitted for audit to the HCA, on average 8,891 payment orders are returned not certified (due to violations, omissions etc.) to public entities for amendment; this number corresponds to 0.57% of the total number of payment orders annually submitted for preventive audit. As of July 1, 2005, the

preventive audit was extended to first-degree local government authorities. As of 2005, more than half payment orders returned non certified (of all financial management categories) each year refer to the financial management of municipalities.

For the period noted, the analysis of the annual reports showed that the ex-post audit in the management reports shows higher infringement detection rates, ranging from 3% to 7% on average (Kontogeorga, 2013, 2017b).

It is also noted that precontractual audit identifies infringements in about 10% of the total number of draft contracts submitted each year for audit, since "from 1999 to 2011, more than 10,000 draft contracts had been submitted for audit, of which approximately 1,000 were rejected" (Karavokiris, 2011, p. 14), a much higher percentage than those of preventive and ex-post audit.

Nevertheless, according to the International Monetary Fund, "The HCA is heavily involved in the pre-audit of all non-regular expenditure of central government... Pre-audit work consumes half of the Court's budget, involving it in the detailed examination of payment orders issued by various public bodies to assess the accuracy legality and regularity of expenditure." (IMF, 2006, ROSC, pp. 40–41, §70).

The existing legislative framework has already been revised, and the total abolishment of preventive audit, with a long tradition of more than 130 years, is expected in 2019, in the context of the reforms requested from the Greek Government.

But how do those directly involved in this process perceive this change? The paper aims to answer the following questions: Which of the three existing types of audit performed by the HCA is deemed more effective, and is there a necessity to change the current audit model, especially in the light of the current economic crisis, in order to improve transparency and accountability in Greek public financial management?

4 | METHODOLOGY

To serve the stated purpose, a survey questionnaire was created, consisting of 31 questions. Walonick (1997–2000) argued that the questionnaire's content is more important than its length. Participants in the survey are more likely to respond if they are involved and interested in the research topic and the questions are meaningful and interesting to them.

The questionnaire was distributed to the two basic categories of employees involved in the audit procedure (HCA auditors and executives of audited entities), to illustrate their estimates on the effectiveness of different types of audits performed by the HCA and the necessity of reforming the current mode of audit in Greece. These two groups (auditors of the court and auditees) were selected on the grounds that they are directly involved in the auditing procedure and, therefore, that their opinions are of particular importance. In addition, the adoption of estimates in surveys related to public administration and governance issues is highly recommended (United Nations, Department of Economic and Social Affairs, 2007). The high response rate of participants (around 74%) in this survey confirms Walonick's view.

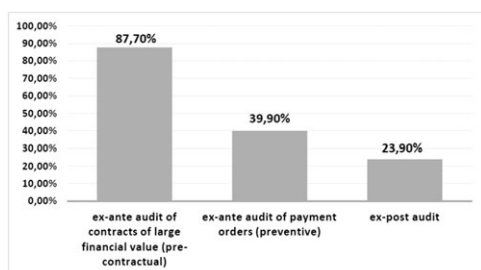
Of the 138 people who participated in the survey, 53 were HCA auditors¹ (38.4% of the population) and 85 were executives (of the financial department) of audited entities (61.6%) from across the public sector (legal entities of public law, local government authorities, and central government and broader public sector entities). It is worth noting that the HCA, organized according to the French court model, has offices in the capital of each region of the country, not only in Athens, and so the respondents came from many different regions of Greece in order to provide a more representative sample.

The questionnaire was divided into two main parts. The first part included the general demographic characteristics of the respondents, as well as questions concerning the effectiveness of the types of audit of the Court of Auditors and the need to change the existing method of audit. The second part included suggestions on the factors that affect the compliance of public entities, for which participants were asked to state their degree of agreement. The survey respondents returned the completed questionnaires by any suitable means (in person, by email, post, and fax). The information collected was then incorporated in a database and was analyzed using the statistical package SPSS.

This article, and in particular Section 5, presents the results of the questions in the first part, concerning the effectiveness of the existing method of audit and the need to change it.

5 | RESULTS AND DISCUSSION

In the question “What types of public audit are deemed effective in Greece?” the respondents were given the option to choose one or more than one responses among different types of audits currently performed by the HCA; namely: (a) precontractual audit (a form of ex-ante audit, exclusively used before the signing of large contracts),



GRAPH 1 Effectiveness of different types of HCA audits

(b) preventive (ex-ante audit of all payment orders, and after contract signing), and (c) ex-post audit (after the payment of orders).

As shown in Graph 1, the vast majority of respondents, at 87.7%, replied that they consider precontractual audits as the most effective type of audit, whether they chose this answer alone or in combination with any other option. This result confirms García Crespo's (2005, p. 7) view that “pre-audit of public works contracts and acquisition of goods and services usually has an important preventive effect.” It also seems to coincide with the official HCA data, according to which precontractual audits are reported to detect infringements at a higher rate than the other types of audit.

Regarding the other two types of audit, preventive audit is considered more effective by 39.9% of respondents, whereas ex-post audit has by far the lowest preference (23.9%) in comparison with the two other categories. It therefore appears that the respondents overall perceive that the ex-ante audit of the HCA is an effective type of audit in both its forms (precontractual for large contracts and ex-ante audit of all payment orders).

This conclusion agrees with the previous survey of Almutairi (2000), according to which the introduction of preventive audits in Kuwait had positive results in that it, moderately to fairly, improved the compliance of audited bodies with financial management laws and regulations.

An analysis of the preferences of respondents is of particular interest at this point in order to determine whether there is any difference in the perceptions of the HCA auditors and the executives of audited entities concerning the effectiveness of the audit types (Table 1):

The analysis indicates that both categories of the sample agree at a rate of 87.70% in total, on the strong preference for pre-contractual audits which they consider the most effective of the three kinds of audit (preventive/ex-post). This preference appears to be slightly higher in the group of audited entities (59.80%) compared to the group of auditors (55.20%).

However, executives of audited bodies give ex-ante audit as a second choice, whereas the second preference of HCA employees is ex-post audit, an outcome that reflects a different philosophy between these two categories concerning the effectiveness of the audit type. In particular, 31.1% of employees of audited entities perceive ex-ante audits as a more effective audit type to a greater rate than auditors (19.5%). This answer obviously reflects what is considered “as the pathogenicity of the financial system in Greece, namely that in essence it renders the authorizing officer irresponsible, as the latter acts

TABLE 1 Effectiveness of different types of HCA audits (auditors vs. auditees)

What types of public audit are deemed effective in Greece?			Group		Total
			Auditors	Auditees	
More effective type of audit ^a	Ex-ante audit (precontractual)	Count	48	73	121
		Percentage	55.20%	59.80%	
	Preventive audit	Count	17	38	55
		Percentage	19.50%	31.10%	
	Ex-post audit	Count	22	11	33
		Percentage	25.30%	9.00%	
Total	Count	87	122	209	

^aGroup.

knowing that his actions will be stopped by the financial controller without further consequences. Moreover, in this case the responsibility is largely transferred to the controller" (Sarmas, 2006, p. 103).

Therefore, the audited entities appear to link the effectiveness of audits to the prevention of deviations from the law. Moreover, they pay attention to the time at which the audit is performed (preference is given to preventive and precontractual audits, in both cases before the payment of the payment order so that they are safeguarded by the auditor and are not held responsible).

The conclusion of the research can be explained by the microeconomic theory of crime, according to which a person (agent) maximizes their usefulness and complies with rules when the expected net usefulness of their compliance is higher than the net expected usefulness of committing an offense. Becker (1968), in his seminal research, mentioned that the prospective offender calculates the expected cost (probability of detection and punishment) and compares it with the expected benefit that will occur from the violation before deciding to commit it. If the net expected benefit is high enough and the infringement is the best option of those available, then that person will commit the violation.

In the case of audited entities, a prior audit maximizes their expected benefit and simultaneously eliminates the expected cost, since, even if they have violated the law, the violation is either not detected at all by the auditors or, if detected, will be stopped by them before repayment of the payment order without further consequences for the authorizing officer. Therefore, the preference of audited entities for this type of audit is the most rational choice.

In contrast, the auditors group gives post-audit as second preference, at 25.3%, adopting a concept that is closer to the philosophy of the modern audit and international auditing standards, in that it considers ex-post audits more effective than the group of auditees, which perceives it as effective only by 9%.

Modern audits demand that the authorizing officers be made fully responsible for all operations carried out under their authority. They should establish internal audit services that are not involved in financial operations and perform their duties independently, in accordance with international audit standards, verifying the proper functioning of the management and control systems put in place by the authorizing officers (Montesinos, 2005). According to international standards "as the external auditor, the Supreme Audit Institution has the task of examining—a posteriori—the effectiveness of internal audit" (INTOSAI, 1988, section 3, §3), a role quite different to the current role of the HCA, which currently, due to the absence of internal audit units in public entities, is fully responsible for identifying omissions and infringements.

According to the international standards (INTOSAI, ISSAI 1250, ISA 250, p. 212, §3, §4) "the auditor is responsible for obtaining reasonable assurance and ... shall obtain sufficient appropriate audit evidence regarding compliance with the provisions of those laws and regulations", and not perform an exhaustive audit in every transaction. Moreover, "it is the responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with laws and regulations".

This category of HCA auditors appears more in line with the new philosophy and the role of auditors who act "a posteriori," even though their current role is totally different. In contrast, the group of controlled entities appears to still support the traditional control system, as they prefer the preventive role of audit. Auditors seem to connect the effectiveness of audit not so much with the prevention of deviations from the law, but with their detection, regardless of the time of exercising the audit (preference to precontractual and post-audit).

Therefore, there is an issue concerning the reform of the current system of external audits in Greece. For this reason, we asked participants to answer a question on the necessity (or not) for a change in the current mode of audit performed by the HCA in order to become more effective. The results are summarized in Table 2.

The vast majority of respondents (85.4%) replied that the current mode of audit performed by the HCA should be changed, while approximately 14.6% believe that the audit should maintain its current form.

The conclusion of the research agrees with the recommendation made in the report of the IMF (2006, pp. 40–41, §70) for Greece over 10 years ago, according to which:

a reorientation of external audit is required. There are a number of potential weaknesses in this auditing system, which should be reviewed. ... The Court is dominated by a legal focus, rather than on the efficiency or effectiveness of expenditures. Many countries have moved away from a narrow financial regularity audit that dominates Greek external audit, to systems and value-for-money audits, as better informing the public on integrity of public operations. (IMF, 2006, ROISC, pp. 40–41, §70).

Next, we tested the probability of differentiation of participants' responses (concerning the change of the current mode of audit) depending on the group they belong to (auditors and auditees). The analysis shows that both categories of participants (auditors at

TABLE 2 Necessity of changing the existing mode of HCA audits per respondent category (cross-tabulation)

		Do you consider that the current mode of audit performed by the Court of Audit should be changed?		
		Yes	No	Total
Auditors HCA	Count	45	7	52
	Percentage	86.5%	13.5%	100.00%
Audited entities	Count	72	13	85
	Percentage	84.7%	15.3%	100.00%
Total	Count	117	20	137
	Percentage	85.4%	14.6%	100%

*Missing: 1.

86.5% and auditees at 84.7%) agree with the view that the current mode of audit performed by the HCA must change in order to become more effective. Moreover, the χ^2 test showed that the views of the two categories (auditors and auditees) have no statistically significant difference ($p = 0.768$, i.e. >0.05).

On the other hand, 13.5% of auditors and 15.3% of audited entities believe that the existing system should remain the same without any changes. The research thus shows that a number of auditors and auditees do not want any changes to take place.

6 | CONCLUSION

Over recent years, SAIs have taken on new tasks and adopted new approaches to government auditing, which has led to a fundamental alteration of the model of control in public finances. SAIs were established to fulfill a financial auditing function; that is, to provide assurance that a government's financial statements fairly reflect the revenues collected and expenditure incurred, and to determine whether an implementing agency had appropriate authority for transactions undertaken and acted in accordance with relevant laws and regulations. "Over the last 20 years, however, the demands on SAIs have expanded to include considerations of how well government bodies perform their work, typically looking at the economy, efficiency, and effectiveness of service delivery. Citizens and their elected representatives increasingly demand that SAIs go beyond judgments of compliance and accuracy to also evaluate government performance and the value for money obtained through government transactions" (Van Zyl et al., 2009, p. 7).

Moreover, the adoption of the new financial regulation of 2002 concerning the European Communities' budget and accounts by virtue of a Council Regulation has largely contributed towards the gradual abandonment of traditional audit models in favor of examining, a posteriori, the effectiveness of internal control, which is a task of authorizing officers.

However, contrary to this trend, Greece still follows a traditional and outdated model of preventive audit in almost all transactions of public entities. Over the last few years there has been a tendency to modernize its audit system and to harmonize it with international standards, according to which an integrated audit system includes, in addition to audits on the legality and regularity of expenditure, the audit of the three e's (performance audit). On the other hand, audited entities, complacent and based on the Court of Auditors' long tradition of preventive audit, do not yet have comprehensive internal audit services.

The current economic crisis makes the necessity for transparency and modernization of the external audit system of public expenditure more imperative than ever. The HCA should proceed with the full adoption of international standards, abolish exhaustive expenditure control, and adopt the risk-based approach by conducting targeted audits and, of course, extending the scope of audit to performance audits and the sound financial management of public expenditure.

This research—the first ever conducted within the HCA—has showed that the pre-audit of large public contracts has an important

preventive effect and is considered by far the most effective type of audit by both auditors and auditees. However, the group of auditees prefers the preventive audit in all transactions of public entities by the HCA before their payment, probably in order to feel secure and free of liability, as the traditional model of audit passes the burden to auditors.

In contrast, the group of auditors prefers "a posteriori" audits, as it seems more willing to adopt a new approach to public auditing, which renders authorizing officers fully responsible for all operations carried out under their authority. This philosophy reflects the gap between two different worlds, since each group has its own priorities and interests. However, there is one point common to both groups: Despite differences, a large majority agrees that the current system of external audit in Greece should be changed.

The HCA should pay attention to the modern requirements of financial control and adjust as quickly as possible to the new circumstances, otherwise it may be left behind and be unable to follow developments, weakening its institutional role and contribution to sound management of public resources. The recent economic crisis shows that the current audit of the legality and regularity of expenditure is not enough. The research result shows that the majority of auditors and auditees believe that the procedure needs to be modernized, even if this requires changes in their skills and competences. The excessively law-based approach of the HCA should be changed and extended to the sound financial management of public resources, focusing not on procedures but on results. The HCA should attach importance to its role as an external auditor of public financial management and not be involved in the remit of internal audit.

On the other hand, the audited bodies (ministries, local authorities, universities, etc.) should create and arrange for the staffing of competent internal audit services, in order to have control and responsibility for their management. The mentality of passing on responsibilities to the external auditor should change.

All the aforementioned factors appear to delay progress. However, it should be understood that all reforms entail a certain cost and that traditions persisting for so many years are not easy to change overnight, especially when they relate to people's mentality and way of thinking. A question that may be put to the political leadership in view of the imminent constitutional revision (and following the example of other countries, such as Argentina and Romania) is whether the HCA should still be structured as a court-based model, or whether a possible change in its organizational structure (e.g., based on the Anglo-Saxon model) would help in the progress and modernization of public expenditure. However, the answer is more complex than it first appears.

The current mode of control is now considered to be incomplete without auditing the performance of public bodies and is already outdated in all other European countries, even though the effectiveness of the VFM audit as an instrument to control and improve public administration should not be taken for granted (Morin, 2001). The reforms that have taken place over the last period of time in the financial management system with the adoption of international standards and modern control methods appear to be a step in the right direction, but it is no panacea. However, more steps still need to be taken until Greece has a modern and effective external audit system.

In addition, experience shows that this transition is not an easy task, especially for an SAI such as that of Greece, which is organized as a court. As Morin (2011, p. 742) mentions for the French Court of Audit: "what performance audits require of an organisation as tradition-bound as the Court is a difficult metamorphosis of its state, its character, and its *modi vivendi*."

Concerning the limitations of this study, it can be concluded that this research referred to the HCA-specific context at this particular moment, and therefore the findings may not be applicable in a different environment. However, Greek experience may prove to be valuable in other SAIs, of a court or other type, that are in a transition period, in countries where reforms in the broader system of public financial management are under way.

It would be useful for future research to capture any changes as a result of the legislative reforms that have taken place in recent years, as well as the implications of the introduction of new types of audit, such as the three e's system audits, for example. Moreover, this research was based on estimates, which may vary over time.

However, we should not forget that it takes quite a while for the results of reforms to be adequately assessed, and, above all, the support of all stakeholders is required. In any case, "the probability of a reform's success or failure is affected by and largely depends on how it is implemented" (Pallot, 1996, p. 345).

Thus, auditors and auditees should make a decisive contribution in the direction of modernization of the external audit system, free from their own interests, obsessions, and attitudes of the past that have delayed developments. No one can disagree that it is time to move forward.

ENDNOTE

¹ Given that the HCA had 364 auditors as of 31 December 2012, this subset of the sample represents 15% of the total population of auditors.

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