

# Review of: "Auditing public schools' financial records: A study of financial management from the eyes of relevant stakeholders"

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This paper includes some interesting insights from the primary research, but I feel that the framework could be significantly improved to make the most of them.

1. The theory of inspired confidence needs to be set out much more extensively and the linkages between the theory and the findings need to be made much clearer.
2. The framework within which the audit takes place needs to be made much clearer. Misunderstandings about what an audit sets out to do and what people THINK it does (the audit expectations gap) are perhaps the most interesting aspect of this paper. There are basically two types of audit:
  1. The statutory or external audit. This is the type of audit which it appears is being carried out on these schools. As the paper makes clear, its aim is to ensure that the accounts are not materially misstated. It will only therefore detect fraud as a by-product of this, generally where the fraud is large enough to cause a material misstatement, or mismanagement where it is serious enough to make the accounting statements unreliable. It is also focussed on the needs of external stakeholders, who have no role in the running of the school. An unqualified audit report must be seen in the light of the about limitations of scope and the expectations gap arises where stakeholders read more into this report than is justified.
  2. The internal audit. This is much more focussed on systems and value for money, since it aims to assess whether the school is being well managed. This audit is therefore aimed much more at the needs of internal stakeholders.
3. The individuals interviewed are all internal stakeholders, who presumably have sight of the underlying documents for the accounts and/or various management reports. Whether they understand them, as the data shows, might be another matter. The paper is correct, therefore, in stating that more financial education is needed. It appears that the unqualified audit report is seen as a big tick, which shows that the school is being well run and, as I have set out above, this may be misplaced. This is therefore a clear example of the expectations gap.
4. Finally, I would ask the authors to ensure that they make all references clear and understandable to readers outside South Africa.
5. If these points are addressed, the paper will be greatly strengthened and I should be able to recommend publication.

