

**THE EFFECT OF THE QUALITY OF INDEPENDENT FINANCIAL AUDITS
IN HEALTH CARE SYSTEM AND ITS SUSTAINABILITY IN LEBANON:
LITERATURE REVIEW**

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***Abstract:** It is crucial that healthcare sector constituents in each country evaluate the effectiveness of their financial processes and correct gaps. This is done through independent financial audits. The quality of audit report facilitates right decisions and proper action planning. In Lebanon, healthcare institutions are in a desperate need to have a high-quality independent audit so they can maintain their sustainability. As a conclusion it is highly important to have independent audits in healthcare sector in Lebanon to maintain its sustainability.*

***Keywords:** Audits, Financial audits, quality, healthcare, corruption*

Introduction:

Auditing appeared in the 18th century for records tracking reasons by governments. With the industrial revolution it was directed to detect fraud and track accounting processes. (Manal, 2017). Auditing evolved over centuries from checking every single transaction to audit sample processes and widened later to include non-financial aspects. Nowadays Audits are considered a tool to sustain businesses by rectifying malpractices and closing gaps. Many organizations follow the internal audit practice which maintains the level of running processes, while an external point of view

can add more value to the audit and give a pure objective report. Here comes the role of independent audits.

An independent audit is an examination of the financial records, accounts, and business transactions of a firm that is performed by an independent auditor. The term independent refers to a person that is not an employee of the audited company. (Herath, 2014). Dawn Crump mentioned in her article many healthcare audits types (Crump, 2015) One of which is the diagnosis Related Group (DRG) Payment Integrity Reviews—Ongoing through Year. This kind of audit helps to maintain the financial payments within the range of required diagnosis thus paying the right money in the right place.

Nowadays the quality of financial audits plays an important role in determining the future of a firm. Rasha Mahboub (Mahboub, 2017) mentioned in her article four factors affecting positively the reporting quality:

- Financial strength.
- Ownership.
- Structure.
- Management size.

“Quality means a total commitment to making sound judgments. It means ensuring that all the right steps are taken consistently in the course of the Audit.” (Arta Limani, 2021). All firms and organizations want an audit that reflects the real state of the business and the procedures followed so they can enhance gaps and strengthen weak points. In addition, they need an independent audit that overcomes subjectivity and look at the business as an external eye. The new standards of IAASB (International Auditing

& Assurance Standards Board) assure more transparency of the audit report thus satisfying the customer's needs. (M.Grosskreutz, 2021)

Below in an example of audit quality key factors extracted from the annual report of Ernst and young for 2021:

Keys for high Audit quality:

- Implementing digital audit methodology:

No doubt that digital recording and tracking can maximize the use of data and foster its analysis. Digitalization saves time and effort.

- Highlighting the importance of independence:

Objectivity in such audits is the key. The more the audit was independent the more we have nonbiased results.

- Follow audit standards:

Standardization gives a strong ground to build on the audit process. Since standards are developed by international and local authorities where many organizations follow it.

- Robust engagement with audit committee:

In an audit process it is crucial that all the employees participate in the process from higher management to the least position in hierarchy. Such engagement ensures that all data is covered and there are no blind spots.

- Supporting the audit process by auditee:

It is very important that the auditee understands that the audit is for the benefit of their workplace and for the continuity of the business. The support of the auditees can ensure the success for the audit.

- Focus on sustainable audit quality:

The quality of obtained data, documented data, and the tracking process ensure the sustainability of the audit process. Any lack in one of those factors might affect the final results.(King, 2021)

Financial audits in Lebanon:

Lebanon's financial crisis pushed many firms and even the governmental ones to think about independent financial audits as a way of closing gaps and rectifying destructing practices. In 2021 the Lebanese finance minister has signed a contract with a New-York-based company to conduct a forensic audit of the country's central bank, a key demand of the international community to restore confidence in the crisis-struck country (The Independent, 2021). The need for high quality, independent, and transparent audits will increase the confidence again in the country. It is essential to adapt a flexible and comprehensive governance system that fit the needs of local and global healthcare systems with focusing on financing, protocol implementation, incorporation of health system and strengthening anti-corruption interventions (Liang, 2012)

According to "Transparency International" corruption affects the international healthcare sector where billions of dollars are estimated to be lost yearly, where at least 80% of citizens in the developing countries have experienced some aspects of corruption in the healthcare sector (Liang, 2012)Corruption affect drastically the financial health and the sustainability of the business causing delays in services access and damages the reputation of an organization. Therefore, a transparent independent audit is the solution to stop such malpractices.

The Lebanese healthcare system can benefit from global anti-corruption frameworks that have been successfully fighting corruption and reducing its negative impacts on society such as the Medical Evaluation and Control Department (DGEC)

in Belgium; National Health Service (NHS) Protect in the United Kingdom; the Fraud Prevention and Litigation Directorate in France and General Inspection of Health Activities (IGAS) in Portugal (Malak Aoun, 2020). As a consequence of this complicated status, control interventions within the Lebanese healthcare financing system should be set up to sanction corruption and fraud in this sector. It is essential to adapt a flexible and comprehensive governance system that fit the needs of local and global healthcare systems with focusing on financing, protocol implementation, incorporation of health system and strengthening anti-corruption interventions (Liang, 2012). Such interventions may also include procurement audits, social audits, community oversight and publishing all procurement processes online (World Bank, 2008)

Proposed strategy:

Below are suggested steps for health care institutions to follow and look at to adoptin independent financial audits and the counter steps to show the difference if the previously mentioned strategy was not adopted:

- 1- Adopting high quality independent financial audit:
 - a) Objectivity assured.
 - b) Clear and easily tracked data.
 - c) Robust and clear results.
 - d) Saving time and money.
 - e) Easy planning.
 - f) Faster corrective actions.

- 2- Adopting low quality non-independent audit.
 - a) Vivid information.

- b) Room for subjectivity.
- c) Interrupted documentation.
- d) Non clear results.
- e) No proper planning and corrective actions.
- f) Lost time and resources.
- g) Very slow development.
- h) Need for another audit.

Conclusion:

As a conclusion independent audits are always preferred to deliver higher level of accuracy and to avoid subjectivity especially in family run businesses and high corruption rate in Lebanon. In addition, the quality of the audit can facilitate action planning and easier tracking and development. The higher the quality of independent audit reports the better savings are achieved in time and costs.

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