

Northern
Ireland
Audit Office
**Public
reporting
standards**
24 May 2019

*Inspiring confidence in public
services through **independent**
scrutiny based on **impartial**
and **innovative** reporting*



Northern Ireland Audit Office



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Purpose of our public reporting audit standards

1. We provide the Assembly with independent assurance about the performance and accountability of the public sector, and provide insights into how well public services are being delivered. We do this by carrying out high quality risk-based audits of the public sector and report our findings to the Assembly and the public. These standards aim to underpin our public reporting audit work. Achieving these standards and the consistent application of the public reporting guidelines will enable us to demonstrate the robustness of our work and the strength of the approaches we use.
2. The standards are linked to our priorities contained in NIAO's Strategic Corporate Framework 2018-21 to:
 - ▶ provide assurance, add value and promote excellence in public administration;
 - ▶ to support public sector transformation in Northern Ireland; and
 - ▶ to transform our business to meet the emerging challenges of the future.
3. The standards are intended to provide an overview of good practice for embedding effective project management issues, such as quality assurance; and for specific project stages, such as drafting and producing reports. Adopting and applying these standards will help us to further improve the quality of our work and support consistency. They should also allow us to measure our performance throughout the course of projects, and to increase the impact of our work.

Links between the standards and other NIAO guidance

4. The standards complement other key guidance and circulars that are designed to support audit teams in conducting public reporting work. The Strategic Corporate Framework 2018-21 also announced our intention to develop a three year public reporting programme, designed to take a strategic, longer-term view of the challenges facing the public sector. A key feature of our three year strategies is genuine engagement with our stakeholders to build a programme which we believe will make a significant contribution to improving public services in Northern Ireland. NIAO's quality assurance standards also provide an overarching set of principles and characteristics that quality processes should adhere to.

Overview of the standards

5. There are 18 standards that are arranged into six categories (**Figure 1**). These are linked to the process for public reporting, which is summarised in **Figure 2**. The standards align with international best practice guidance for performance auditing standards issued by INTOSAI standards¹, adapted to reflect local arrangements.

1 The International Standards of Supreme Audit Institutions (INTOSAI) standards and guidelines for performance auditing

Figure 1: Northern Ireland Audit Office public reporting standards

Process	Standard
Quality Assurance	<ol style="list-style-type: none"> <li data-bbox="469 309 1390 450">1. Audits should comply with established quality assurance systems to safeguard quality, to ensure that all requirements are met, and place emphasis on appropriate, balanced, and fair audit reports that add value and align with NIAO strategic priorities.
Planning: Identifying topics	<ol style="list-style-type: none"> <li data-bbox="469 472 1390 577">2. Audit topics should be selected through a strategic planning process by analysing potential topics and conducting research to identify audit risks and problems. <li data-bbox="469 607 1390 674">3. Audit topics should be selected that are significant and auditable, and consistent with the NIAO strategic priorities. <li data-bbox="469 703 1390 846">4. The process of selecting audit topics should be based on genuine engagement with stakeholders, reflect the risks facing public sector bodies and maximise the expected impact while taking account of audit capacities. <li data-bbox="469 875 1390 943">5. Topics included in the public reporting programme must be approved by the Comptroller and Auditor General (C&AG).
Planning: Designing the audit	<ol style="list-style-type: none"> <li data-bbox="469 965 1390 1108">6. The audit should be planned in a manner that contributes to a high-quality audit that will be carried out in an economical, efficient, effective and timely manner and in accordance with the principles of good project management. <li data-bbox="469 1137 1390 1205">7. Sufficient knowledge of the audited programme or audit body's business should be acquired before the audit is launched. <li data-bbox="469 1234 1390 1339">8. During planning, the auditor should design the audit procedures to be used for gathering sufficient and appropriate audit evidence that responds to the audit objective(s) and question(s). <li data-bbox="469 1368 1390 1435">9. The plan must be approved by the C&AG through the Quality Assurance (QA) process.
Conducting the audit	<ol style="list-style-type: none"> <li data-bbox="469 1458 1390 1601">10. The audit team should obtain sufficient and appropriate audit evidence in order to establish audit findings, reach conclusions in response to the audit objective(s) and audit questions, and issue recommendations when relevant. <li data-bbox="469 1630 1390 1697">11. The audit team should analyse evidence gathered and ensure that the evidence supports audit findings.
Reporting	<ol style="list-style-type: none"> <li data-bbox="469 1727 1390 1787">12. The audit team should produce an audit report, which is comprehensive; convincing; timely; reader friendly; and balanced. <li data-bbox="469 1816 1390 1921">13. The report should clearly set out the methodology and sources of audit evidence and clearly present the rationale for the conclusions or findings or explain why this was not possible. <li data-bbox="469 1951 1390 2056">14. Where appropriate the report should provide constructive recommendations that are likely to contribute significantly to addressing the weaknesses or problems identified.

Process	Standard
	<p>15. The audited body should be given the opportunity to comment on the audit findings, conclusions and recommendations through clearance and before publication of a report.</p> <p>16. Working papers should be maintained supporting the clearance process, recording the consideration of the audited body's comments, including the reasons for making changes to the audit report or for rejecting comments received.</p> <p>17. The audit report should be made widely accessible taking into consideration regulations on confidential information.</p>
Follow-up	18. Previously published reports should be followed-up appropriately.

Figure 2: Northern Ireland Audit Office public reporting process



NIAO Public reporting

Context

6. Our public reporting programme for 2018 to 2021 represents a new approach to how we deliver our work, based on a strategic view of the challenges facing the public sector. As well as our traditional “Value for Money” (VFM) studies, we have developed a range of reporting outputs with more emphasis on reports that make real impact and include reports that are shorter and sharper; and more responsive to emerging issues. Whilst the form of report may differ, the basis of examination and reporting is consistent with the INTOSAI definition for performance reporting:

Public reporting definition

7. Public reporting (VFM) definition:

“.....an independent, objective and reliable examination of whether government undertakings, systems, operations, programmes, activities or organisations are operating in accordance with the principles of economy, efficiency and effectiveness and whether there is room for improvement”

(Source: INTOSAI– Central Concepts for Performance Auditing: ISSAI 3100)

Figure 3: Public Reporting outputs



8. In recent years, we have also been providing public bodies with constructive advice in the form of good practice guidance publications in areas such as whistleblowing and board effectiveness. These guidance publications do not follow the processes defined in these standards. However, they are based on engagement with practitioners in public, voluntary and private sectors and with community groups at all levels; and using research on best practice drawn from local, national and international work relevant to the public sector in Northern Ireland.

Section One: Quality Assurance

Standard

1. Audits should comply with established quality assurance systems to safeguard quality, to ensure that all requirements are met, and place emphasis on appropriate, balanced, and fair audit reports that add value and align with NIAO strategic priorities.

9. Public reporting processes are subjected to a range of formal internal quality assurance checks in order to maintain and improve the quality of the published reports.
10. Most published reports are reviewed by an External Review Panel (its members selected to provide a range of experience) who rate the report's presentation, technical content and quality of recommendations. Reports may also be subjected to an external peer review (through reciprocal arrangement) where a sample of reports may be circulated to other UK public audit agencies for their assessment, using agreed assessment criteria. In addition to these post-publication quality assurance procedures, study teams carry out an internal lessons learned review shortly after a report is published, allowing NIAO to capture learning from its work and to disseminate findings to staff.
11. It is important that we can demonstrate that we adhere to quality standards in conducting our work. Senior managers (Directors and Audit Managers) have a responsibility to encourage a culture in which the processes for carrying out projects, and the quality of reports, are stressed. **Both senior managers and audit teams should recognise that delivering a project on time is an important part of quality assurance.** This culture can be embedded through regular team meetings, communicating relevant corporate developments, or through encouraging teams to share lessons from their projects with others. Developing a culture of professionalism, rigour and openness to challenge (e.g. peer reviews) will help to ensure that key aspects of projects are addressed, for example, ensuring that major conclusions in draft reports are supported by robust evidence.
12. Senior managers' reviews of draft versions of key outputs such as project briefs, issues and investigations matrices, key messages and reports are an essential part of quality assurance. Audit teams should build sufficient time into project plans to allow for internal reviews and feedback from external stakeholders, and to take account of any comments received.
13. High-quality work is most likely to be produced by teams with the appropriate skills and experience. Senior managers should try to create such teams and, where possible, take account of staff preferences and developmental needs. It is important that staff are assigned tasks in which they are competent or where they have appropriate supervision. Where appropriate, suitable external resources should be used to fill gaps in capacity or expertise.

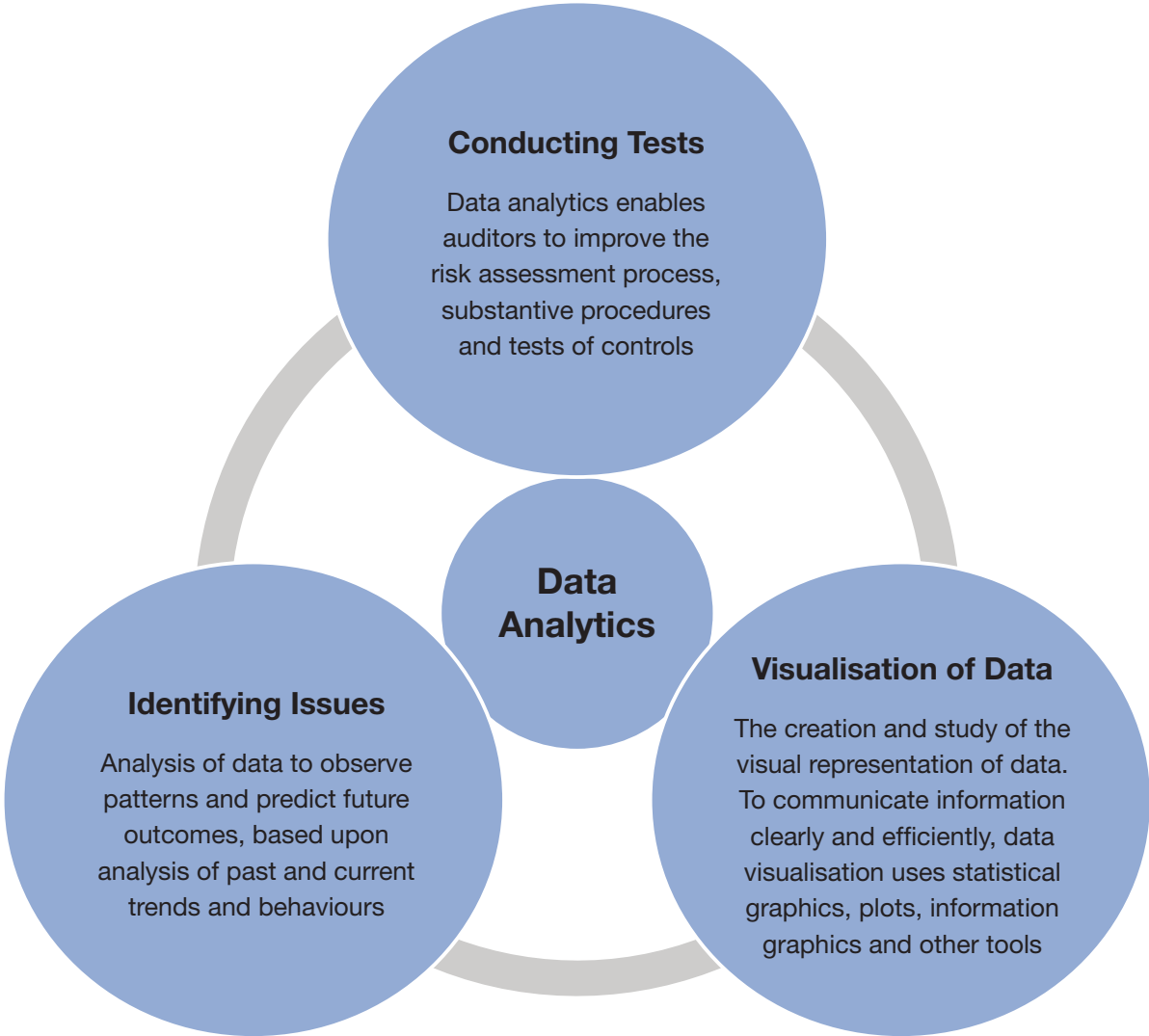
Section Two: Planning: Identifying topics

Standard

2. Audit topics should be selected through a strategic planning process by analysing potential topics and conducting research to identify audit risks and problems.
3. Audit topics should be selected that are significant and auditable, and consistent with the NIAO strategic priorities.
4. The process of selecting audit topics should be based on genuine engagement with stakeholders, reflect the risks facing public sector bodies and maximise the expected impact while taking account of audit capacities.
5. Topics included in the Public reporting programme must be approved by the Comptroller and Auditor General (C&AG).

14. In 2018, we completed a substantive review of the process for identifying suitable topics for our forward three-year public reporting programme including a topic assessment framework. The programme is aligned to the Programme for Government (PfG) and reflects the risks facing public sector bodies currently and is based on genuine engagement with our stakeholders to build a programme which we believe will make a significant contribution to improving public services in Northern Ireland. This programme will not stand still, but will be a rolling 3-year programme requiring continuing engagement with our key stakeholders and underpinned by a continuous process of identifying suitable topics for our forward work programme.
15. Our strategic planning process is the first step in topic selection as it comprises the survey of potential areas for audit and defines the basis for the efficient allocation of audit resources. This process must be inclusive and make full use of internal audit intelligence and knowledge of audited bodies. Importantly, identification of topics needs to be based on engagement with audited bodies and groups/individuals that represent citizens; and reflect NIAO's strategic priorities (**paragraph 2**) and the principles of engagement contained in our engagement strategy. Auditability is an important requirement in the planning process. It defines whether a topic is suitable for an audit, for instance, whether there are relevant audit approaches, methodologies, and audit criteria available and whether the information required is likely to be available and can be obtained efficiently.
16. This topic selection survey provides an opportunity to undertake an initial analysis of an audited body at a strategic level with a view to identifying areas or issues which may be of interest in informing the annual public reporting programme. Departments should be notified of this work in the Annual Audit Strategy (in the public reporting annex).
17. Conducting survey work extends beyond examination of background documentation; legislative and policy frameworks; and financial audit records. It also requires regular engagement with key staff in audited bodies; academics and/or experts; groups representing communities; and NI Statistics and Research Agency (NISRA). Effective engagement assists auditors in understanding the risks and challenges faced by departments and public bodies and ensures that the topics identified for further examination are topical, relevant and adding value.
18. Data Analytics is a fast developing opportunity for the office. These tools provide opportunities to gather, present and analyse data quickly and effectively and help in the identification of areas for potential investigations and/or studies.

Data analytics is used to gather, analyse and present data



Key message: Survey work cannot be completed at your desk!

Identifying suitable topics to report on has its foundations on genuine engagement with;

- key officials in audited bodies who deliver programmes or services;
- citizens or groups that represent the interests of citizens; and
- academics and/or experts in the topics identified, including NIAO data analytics team and NI Statistics and Research Agency (NISRA).

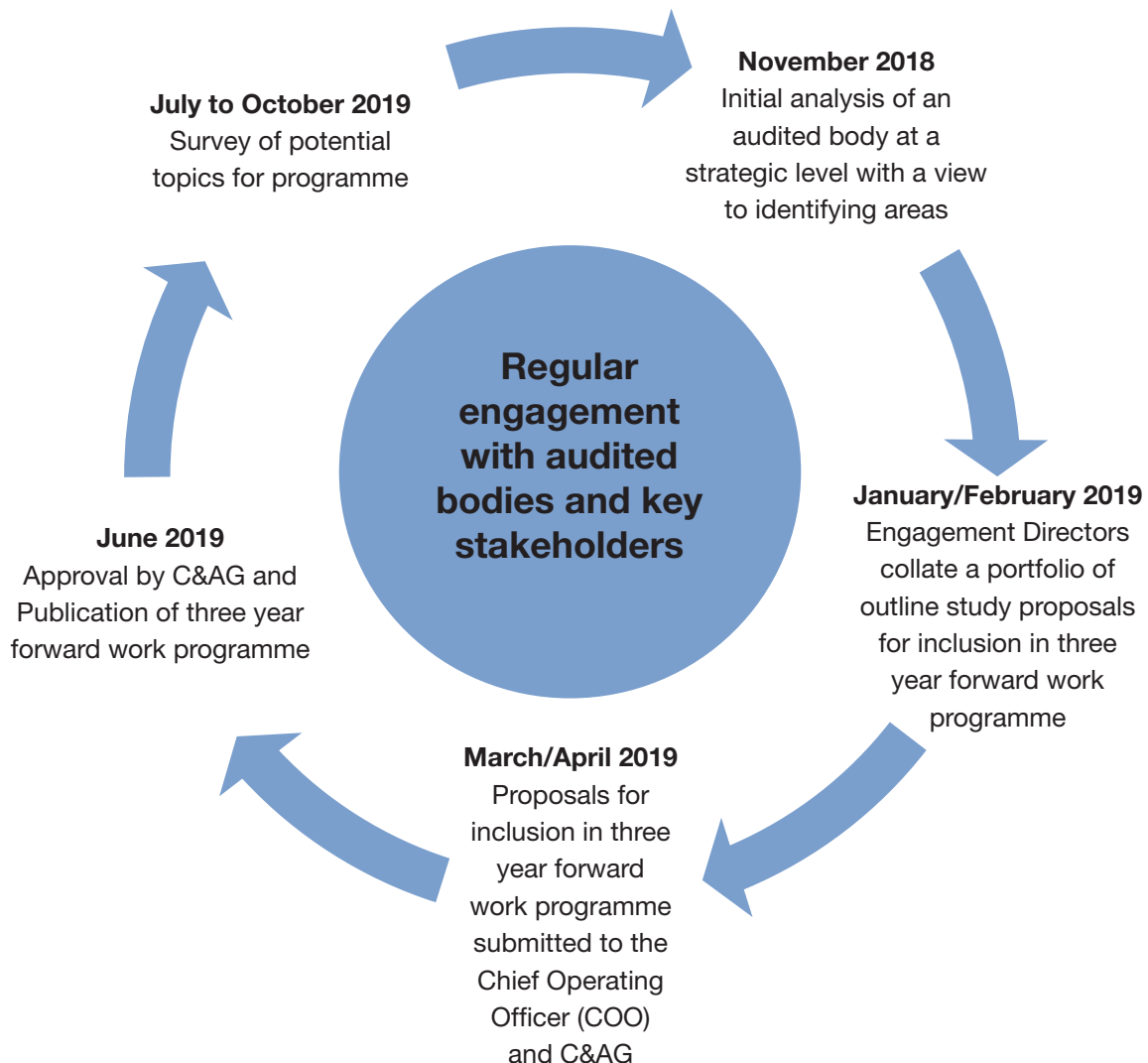
Outline Study Proposal

19. Outline study proposals are used by the C&AG to determine the future public reporting programme. The proposal should set out:
- ▶ the background to the study area;
 - ▶ the proposed scope of the study;

- ▶ anticipated impacts;²
- ▶ an explanation of how the proposal fits with the Office's strategic themes;
- ▶ audit methodologies;
- ▶ proposed budget/timeline.

20. Each year, as part of the strategic planning process, Engagement Directors submit a portfolio of outline study proposals to the Chief Operating Officer (COO) and C&AG for consideration as part of the forward work programme. These audit topics are approved through a topic selection process and are likely to commence in the following 12 months. However, it is important that we address key issues as they arise and adapt to changing priorities which means this list may be subject to change. Any topics removed from this list remain potential audit topics for the future.

Identifying a programme of public reporting is an annual process



² Where there is potential for financial impacts to be generated, the study proposal should outline how the financial impact might be generated and what work will be undertaken to identify any potential impact.

Section Three: Planning: Designing the Audit

Standards

6. The audit should be planned in a manner that contributes to a high-quality audit that will be carried out in an economical, efficient, effective and timely manner and in accordance with the principles of good project management.
 7. Sufficient knowledge of the audited programme or audit body's business should be acquired before the audit is launched.
 8. During planning, the auditor should design the audit procedures to be used for gathering sufficient and appropriate audit evidence that responds to the audit objective(s) and question(s).
 9. The plan must be approved by the C&AG through the Quality Assurance (QA) process.
21. To deliver a high-quality report within a limited timeframe the audit team needs to consider the audit as a project in the sense that it involves planning, organising, securing, managing, leading, and controlling resources to achieve specific goals. An Engagement Director has overall responsibility for the delivery of a public reporting output. However, the Audit Manager responsible for the project will usually have responsibility for the day-to-day management of a study.³ This will involve monitoring progress and providing regular updates to the Engagement Director. Engagement Directors also submit regular progress reports to the COO.

Feasibility Study

22. Following inclusion in the approved forward work programme, additional research is required before the audit can be launched. To ensure the audit is properly planned, an auditor needs to acquire sufficient knowledge of the audited programme or audited body's business, testing various audit designs and checking whether the necessary data is available.
23. **A feasibility study is a key document in the public reporting process as it underpins a decision to commit significant resources to conducting a public reporting audit.** In exceptional circumstances, there may be circumstances where a feasibility study is not considered appropriate, for example, where the C&AG has given a commitment to publish a report within a tight timescale. In all cases, however, there should be a sufficient understanding of the topic area.
24. A feasibility study provides an opportunity to explore a selected area in more detail with a view to informing a decision about whether progression to a full study is warranted. The three year public reporting programme will have identified potential themes or topics to be examined and Engagement Directors should assign a team to conduct the study.
25. Completion of the feasibility study will require the Engagement Director and the audit team to demonstrate that they have engaged with key stakeholders within the Department; its agencies and arm's length bodies; community representative groups; expert or research groups; and any other potential stakeholders including private sector organisations. This engagement will help the team gather a full understanding of the area under review and identify potential reference partners. Importantly, it will help the team focus on the key issues that will be examined in the

3 Where appropriate the management of smaller or less complex reports can be delegated to an experienced Senior Auditor who may report directly to the Engagement Director.

area, including those that have the biggest impact or outcome for citizens and communities. Data analytics tools may also provide important evidence sources, enabling the analysis of data quickly and provide robust evidence in support of issues or findings.

26. **The key objective of the feasibility study is to make a recommendation to the C&AG on whether the topic being examined should be the subject of a published report.** The feasibility study should also recommend the form of report that is proposed i.e. a strategic VFM report; a factual report; an investigation report; or impact report. Should the Engagement Director and the audit team consider that there is no necessity or benefit in formally publishing a report, the feasibility paper should feedback this conclusion to the audited body or recommend an alternative output to share the results of the work; for example, a management letter or presentation.

Audit Planning

27. Planning should be commensurate with the anticipated size and scope of the study, however, all study plans should include, as a minimum:
- ▶ background information;
 - ▶ study scope/aims and objectives of the study;
 - ▶ methodology to be applied;
 - ▶ potential impacts; and
 - ▶ a budget and timetable.

The QA1 panel will challenge and seek assurance that:

- there is a clear rationale for completing the study;
- the proposed methodologies are appropriate and sufficient;
- the study is correctly scoped;
- the plan fits well with NIAO's strategic priorities; and
- the potential impacts of the study have been considered and understood.

28. **Early engagement with the audited body is essential to manage relationships and facilitate an effective clearance process.** After study approval has been obtained and before fieldwork commences, the Engagement Director should write to the Accounting Officer (AO) in the Department⁴ to initiate the study. The letter should:
- ▶ invite the Department to meet at an early juncture;
 - ▶ attach a project specification outlining the main themes to be addressed, including the methodologies applied;
 - ▶ list the information, data and a single point of contact in the Department (Senior Responsible Officer (SRO)); and
 - ▶ include an outline timetable for the study.

4 The letter should be copied to the Treasury Officer of Accounts (TOA)

29. The Engagement Director and audit team should arrange a “scope and methods meeting” with the Accounting Officer within two weeks of the initiation letter to explain in more detail the scope and methodology for the study and to agree the outline timetable. This discussion should include any third party clearance requirements, where evidence may be required from third parties or where there is the potential for critical reference to a third party in a report. It is important that these meetings have the right people in the room – the key staff responsible for the delivery of the service or programme.
30. It is important that the audit team remain open to potential sources of evidence that may add weight to audit findings. The topics we audit often hold significant interest to members of the local community who may have information that could potentially assist and inform our work. It is important therefore that, following the notification of the planned study to the audited body (**paragraph 28**), a short paragraph is included in the “work in progress” section of the NIAO website.

Section Four: Conducting the audit

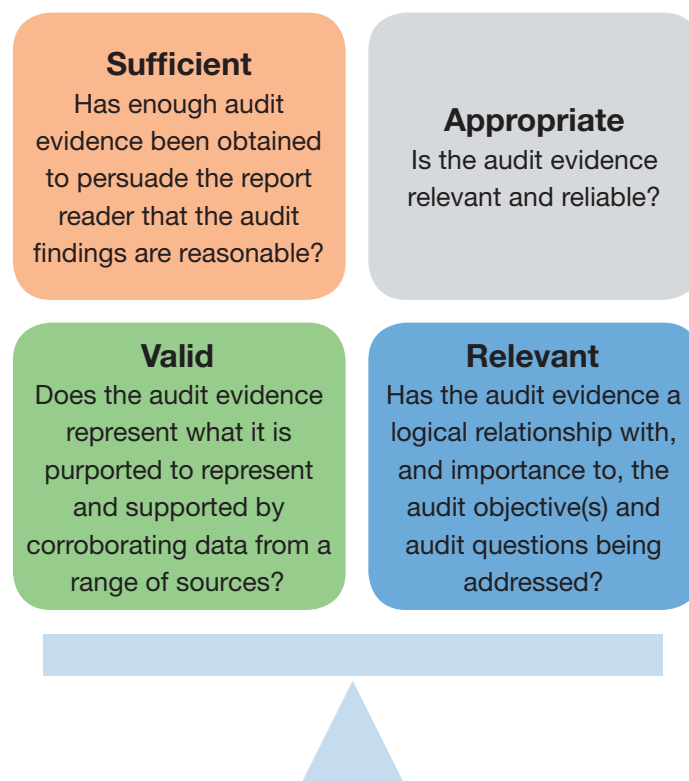
Standards

10. The audit team should obtain sufficient and appropriate audit evidence in order to establish audit findings, reach conclusions in response to the audit objective(s) and audit questions, and issue recommendations when relevant.

11. The audit team should analyse evidence gathered and ensure that the evidence supports audit findings.

31. Audit evidence should be both sufficient (quantity) and appropriate (quality) to persuade a reader of the report that the audit findings are reasonable. In conducting an audit, the nature of the required audit evidence is determined by the subject matter, the audit objective(s) and the audit questions. Because of this variation, the nature of the audit evidence needs to be specified for the individual audit. Audit teams should ensure that audit evidence is reliable and design procedures and tests to apply a range of audit techniques to collect audit evidence.

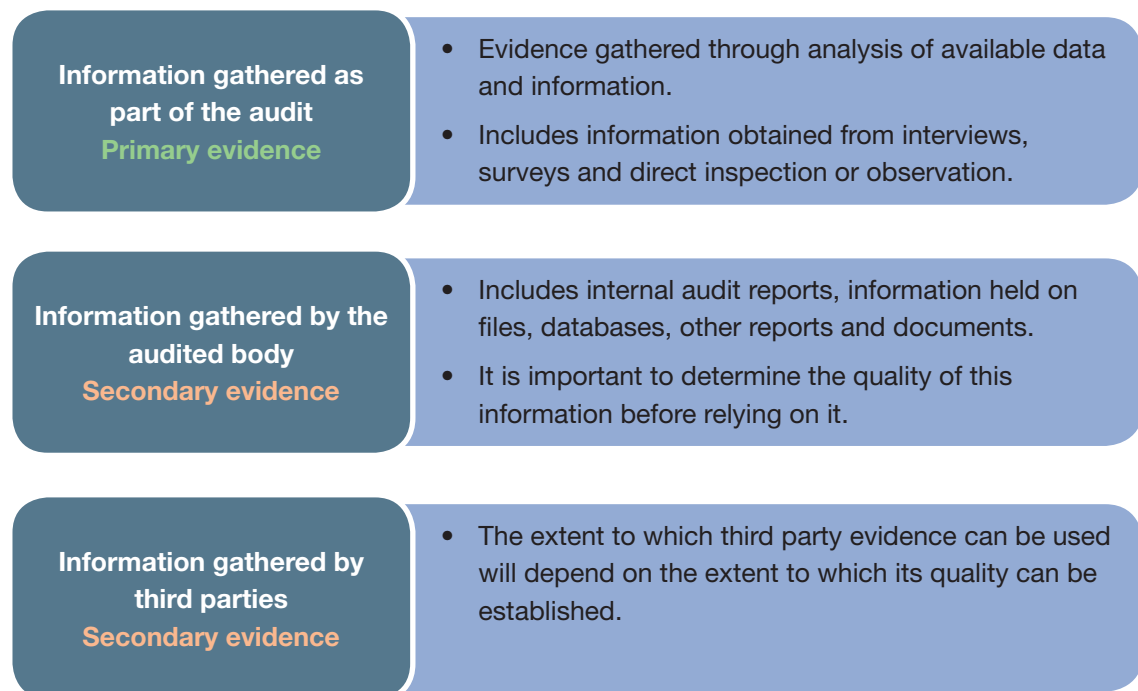
Figure 5: Audit evidence must be robust



Types of Evidence



Sources of Evidence



32. Audit teams should clearly document the audit work to be undertaken and the results/ conclusions of that work. Audit working papers should be sufficiently complete and detailed to enable an experienced auditor, with no previous connection to the audit assignment, to ascertain exactly what work was performed and the basis of the conclusions reached. All of the aims and objectives identified in the original study plan must be investigated/ evaluated.

Key message: No surprises! Keep the audited body informed

It is important to maintain regular contact with the SRO and key staff in the Department to report on progress and any issues arising. At the end of the fieldwork, the study team (led by the Engagement Director) should arrange to meet with the AO and the SRO in the Department to outline the provisional findings and discuss key issues before finalising the draft of the report.

Section Five: Reporting

Standards

12. The audit team should produce an audit report which is comprehensive; convincing; timely; reader friendly; and balanced.
13. The report should clearly set out the methodology and sources of audit evidence and clearly present the rationale for the conclusions or findings or explain why this was not possible.
14. Where appropriate the report should provide constructive recommendations that are likely to contribute significantly to addressing the weaknesses or problems identified.

33. To be comprehensive, an audit report needs to include all the information and arguments needed to address the audit objective(s) and questions, while being sufficiently detailed to provide an understanding of the subject matter and the audit findings and conclusions. Due to the diverse topics possible in a public reporting audit, the content and structure of the audit report will vary. To be convincing, however, a report needs to be logically structured and present a clear relationship between the audit objective(s), audit findings, conclusions and recommendations. It also needs to present the audit findings persuasively, addressing all relevant arguments to the discussion, and be accurate. Accuracy requires that the audit evidence presented and all the audit findings and conclusions are correctly portrayed.
34. A typical report will contain:
 - ▶ an executive summary which is capable of being read as a stand-alone document;
 - ▶ an introductory section which provides information about the background, scope and format of the report;
 - ▶ the main body with a logical structure and headings to signpost the reader; and
 - ▶ appendices to record information which is not essential to the findings but which supports the content of the main body of the report.
35. To be reader friendly, the auditor needs to use simple language in the report to the extent permitted by the subject matter and ensure that the audit report is no longer than needed, which improves clarity and helps to better convey the message. Being balanced means that the audit report needs to be impartial in content and tone. All audit evidence needs to be presented in an unbiased manner and the auditor needs to be aware of the risk of exaggeration and overemphasis of deficient performance and clearly explain impacts and outcomes of the problems identified, to allow the reader to better understand the significance of the issues. This will in turn encourage corrective action and lead to improvements by the audited body.
36. Recommendations should be discussed with the audited body ahead of submitting a draft report for clearance. A constructive recommendation is one that is well founded, adds value, is practical and is linked to the audit objective(s), audit findings and conclusions. Recommendations need to avoid truisms and address the root causes of problems. It should be clear how the recommendation would contribute to better performance and/or outcomes. The recommendations must follow logically or analytically from the facts and arguments presented and need to be addressed to the audited body that has the responsibility for implementing them.

Section Six: Clearance and publication

Standards

15. The audited body should be given the opportunity to comment on the audit findings, conclusions and recommendations through clearance and before publication of a report.
16. Working papers should be maintained supporting the clearance process, recording the consideration of the audited body's comments, including the reasons for making changes to the audit report or for rejecting comments received.
17. The audit report should be made widely accessible taking into consideration regulations on confidential information.

37. The clearance process is vital in ensuring that published reports are factually accurate. Audit teams should seek to obtain formal written agreement from the Departmental Accounting Officer prior to publishing a final report and ensure that the Treasury Officer of Accounts is kept informed through the clearance process. Guidance DAO (DFP) 07/15 was established to streamline the clearance process and strengthen accountability. Those objectives are still relevant in the current environment, but the absence of a functioning Assembly and Public Accounts Committee will require changes to the arrangements set out in the guidance.

Clearance through early and continuous engagement

To align with the increased range of public reporting outputs included in NIAO's three year strategy and the need for its reports to be shorter, sharper and more responsive to emerging issues, clearance will place an emphasis on early and continuous engagement by audit teams with Departments and arm's-length bodies and, where appropriate, producing reports quickly to respond to emerging issues.

38. The examination of feedback received needs to be recorded in working papers so that any changes to the draft audit report, or reasons for not making changes, are documented. Such documentation provides transparency over why any changes to the draft audit report were or were not made, as well as the auditor's reasons for these decisions.
39. Once the Department has provided formal agreement of the report in writing the final draft report can be sent to the printer. If required, a third party engagement strategy should be prepared and implemented.
40. A good report enables the public and its elected representatives to effectively scrutinise government and influence decision-makers in government and the public service to make changes that lead to better performance outcomes. Distributing audit reports widely can promote the credibility of the office. Therefore, audit reports need to be distributed to the audited body and to the Assembly. Publication of a stand-alone report presents our findings, but communication is vital to demonstrating our relevance. We should seek to increase the range of ways in which we report, through social media; web-based publications; or presentation of findings at relevant seminars and conferences. We anticipate social media will become increasingly important as one of our communication channels and in making our work accessible to stakeholders.

Standard

18. Previously published reports should be followed-up appropriately.

41. Follow-up refers to the examination of the corrective actions taken by the audited body, or other responsible party, based on the results of a published report. It is an independent activity that increases the value of the audit process by strengthening the impact of the audit and laying the basis for improvements to future audit work. It also encourages the audited body, and other intended users of audit reports, to take the audit report and audit findings seriously, and provides NIAO with useful lessons and performance indicators. Follow-up is important for the internal learning and development of the audited body as well as of the NIAO itself.
42. NIAO may report on the results of its follow-up actions appropriately in order to provide feedback to the Assembly, stakeholders and the public. Reliable information on the implementation status of recommendations, the impact of audits and the relevant corrective actions taken, can help demonstrate the value and benefit of NIAO's work.
43. Follow-up is not restricted to implementing recommendations but focuses on whether the audited body has addressed the problems adequately and remedied the underlying situation after a reasonable period. The auditor needs to decide which (if not all) recommendations are to be followed up and how follow-up will be undertaken, by means of a new audit or a simplified procedure.



Northern Ireland Audit Office