

Local Government Draft Code Team
NIAO
106 University Street
Belfast
BT7 1EU
LGCode@niauditoffice.gov.uk

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Dear Sir/Madam

Thank you for the opportunity to comment on the Draft Northern Ireland Audit Office Code of Audit Practice 2021.

I have prepared this response in consultation with the Accounts Commission, which is responsible for local government audit in Scotland, and I focus in the main on that sector. However, a strength of public audit in Scotland is that Audit Scotland also operates on behalf of the Auditor General who is responsible for audit in the central government, health and college sectors. I have referred to arrangements in those other sectors where I consider it helpful, and therefore this response has also been prepared in consultation with the Auditor General.

Before addressing the specific questions in your consultation, I have set out an overview of public audit in Scotland to provide context to my responses on individual matters.

Public audit in Scotland

Public audit in Scotland, like the Northern Ireland Audit Office, is consistent with the principles of public audit as defined by the Public Audit Forum. Audit Scotland prepares a non-statutory [Code of Audit Practice](#) that reflects the framework for public audit in Scotland set by the Accounts Commission and Auditor General as the commissioners of the audit. It outlines the responsibilities of appointed auditors and it is a condition of their appointment that they follow it. Public audit outlined in the Code is a combination of legal requirements, professional requirements, and best practice.

The Code of Audit Practice sets out an audit scope that is wider than the financial statements. The current Code defines the wider scope in terms of four 'audit dimensions': financial management, financial sustainability, governance and transparency and value for money. Wider scope requirements are applied to smaller or less complex bodies in a proportionate way. The Code interprets the application of auditing standards to meet the additional requirements of the wider scope audit.

In addition to auditing the financial statements, the Code also reflects legislation which requires auditors in local government to satisfy themselves that the body has made proper arrangements for:

- securing Best Value (which is a statutory duty placed on local government) and is complying with community planning duties
- collecting, recording and publishing performance information in accordance with a direction from the Accounts Commission.

The Code of Audit Practice is reviewed ahead of every change in appointments, and we are currently revising it for the next round of audit appointments commencing from 2022/23. However, the Accounts Commission and the Auditor General remain committed to the concept of a wider scope audit.

The Accounts Commission and Auditor General, with support from Audit Scotland, also carry out a programme of national performance audits to improve the economy, efficiency and effectiveness with which bodies provide services and publishes reports on the findings arising from them.

All reports and other audit outputs are made available to the public on our website.

I include responses only to questions 1 and 4. We do not feel that we are sufficiently close to the specific legislative environment in Northern Ireland to provide meaningful responses to Questions 3 and 4.

Question 1: Do you agree that a principles-based approach for the Code should continue to be used?

If not, what format would you like to see?

Yes. The Auditor General for Scotland and Accounts Commission's joint [2016 Code of Audit Practice](#) (our Code) is a principles-based Code. Our experience is that a principles-based Code:

- provides overarching consistency for public audit in Scotland for five years by setting out what is important, while retaining flexibility
- is sufficiently high level to allow auditors to interpret guidance in unforeseen circumstances

Our Code uses four audit dimensions for auditors to use when planning and reporting the audit. The dimensions are financial sustainability, financial management, value for money, and governance and transparency. In the local government sector, these four audit dimensions contribute to an overall assessment and assurance on Best Value which is a specific requirement under the Local Government in Scotland Act 2003.

Our draft Code was subject to consultation during February and March 2020 and is scheduled for publication in May 2021 revises the dimensions to the areas of financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes.

Our Code is supplemented, where necessary, by more detailed guidance which reflects changing priorities and auditing developments. This mixed approach supports auditors to provide consistently high-quality audits. An example of this is the [Audit Dimensions and Smaller Bodies - supplementary guidance](#) which provides more detail on our Code expectations and auditor requirements in these areas that would not be appropriate to include in the Code.

We also publish [annual planning guidance](#) that provides more detail on specific audit requirements and additional requirements that can change year on year. This annual guidance clarifies the audit work and expected audit outputs to support audit planning and resource allocation.

Question 4: Are there any other comments you would like to make on the content or format of the proposed Code?


Paragraph 1.24 refers to the International Standard on Quality Control (ISQC 1). This standard will shortly be replaced by the International Standard on Quality Management 1 and 2. There may be merit in using the expression "Quality control standards", which you define in the glossary.

Paragraph 1.24 refers to a peer review. This is not terminology used in ISQC1 so may not be understood by any potential new entrants to the Northern Ireland public sector audit market.

Paragraph 2.7 describes other matters which the auditor should report on by exception as items that "can be reported on." Although some of these items are discretionary under the legislation (eg an application to the High Court for a declaration that an item of account is contrary to law), those which are part of the audit certificate (eg if adequate accounting records have not been kept) may not be discretionary.

I hope you find my response helpful. If you would like further information, please contact John Gilchrist, Audit quality and appointments Manager at jgilchrist@audit-scotland.gov.uk.

Yours sincerely

A handwritten signature in cursive script that reads "Elaine Boyd". The signature is contained within a rectangular box that is open on the right side.

Elaine Boyd
Associate Director, Audit quality and appointments