

# Performance audit standards



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Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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# Introduction



## Purpose of our performance audit standards

- At Audit Scotland, we aim to carry out excellent risk-based audits of the public sector and report on them in public. These standards aim to underpin performance audit work undertaken across Public Reporting Group (PRG). Meeting these standards will help us to:
  - demonstrate the robustness of our work and the strength of the approaches we use
  - be recognised as a centre of excellence for public audit.
- The standards are linked to the following ‘supporting activities’ in Audit Scotland’s Corporate Plan 2009–12 which will help ensure that we achieve our vision and objectives:
  - Applying independent challenge and technical support to maintain and improve the quality of our work.
  - Forming robust and professional judgements from our evidence-base.
  - Delivering our work and managing our resources efficiently and effectively and being clear where we need to improve. We will have excellent governance procedures and will monitor and report on the impact of our work.
- The standards are intended to provide a summary of good practice for: overarching project issues, such as quality assurance; and for specific project stages, such as writing and delivering reports.

Adopting these standards will help us to further improve the quality of our work and promote consistency. They should also allow us to measure our performance throughout the course of projects, and to increase the impact of our work.

- Along with other public bodies, the work of Audit Scotland is subject to external scrutiny – for example, from politicians, the media, bodies that we audit and the Scottish Commission for Public Audit, which approves our budget. It is therefore important that we are able to explain how we work and demonstrate the standards that we adhere to.

## Links between the standards and other Audit Scotland guidance

- The standards complement three other key documents that are designed to support our project teams:
  - The Project Management Framework (PMF), which details the objectives, project team activities and outputs for each stage of a performance audit project.
  - The Performance Audit Manual, which sets out some basic principles for our work and contains practical guidance for how best to implement key PMF requirements.
  - Audit Scotland’s Quality Framework, which provides an overarching set of principles and characteristics that quality processes should adhere to.

## Overview of the standards

- There are 23 standards that are arranged into six categories that cover all aspects of performance audit. [Exhibit 1 \(overleaf\)](#) contains a brief description of each category, and subsequent chapters cover each category in detail.
- The standards broadly comply with the INTOSAI standards and guidance for performance auditing.<sup>1</sup>
- Within each category, the standards are in two parts:
  - The highlighted text, the standard itself, is mandatory. It articulates the expectations of the relevant aspects or stages of performance audit projects.
  - The subsequent text is a more detailed explanation of what is expected of project teams or our current approaches to implementing the standards. These expectations may change over time as practices are updated.

## How will compliance with the standards be assessed?

- There are various ways in which we will assess whether the standards are adhered to:
  - Internal ‘challenge’ meetings (including peer reviews) during the course of projects, for example, of draft project briefs and key messages.
  - Project review following publication of the report, including the views of the Auditor General for Scotland (AGS), Deputy Auditor General and Accounts Commission.

- Seeking the views of external stakeholders, such as project advisory group members.
- Assessment of individual staff performance through PDS appraisals.

### Exhibit 1

#### Audit Scotland's performance audit standards

	Category	Brief description
1.	Quality assurance	<ul style="list-style-type: none"> <li>• Adhering to relevant quality standards for performance audit work</li> <li>• Approval of project outputs by senior managers</li> <li>• Appropriate allocation of staff and resources</li> </ul>
2.	Identifying and proposing suitable projects	<ul style="list-style-type: none"> <li>• Identification, proposal and initial scoping of appropriate project topics</li> </ul>
3.	Project scoping, planning and management	<ul style="list-style-type: none"> <li>• Background to the project and rationale for doing it</li> <li>• Outline of the project, including aims, objectives, issues, scope, methods, impact and risks</li> <li>• Project teams</li> <li>• Timescales and budgets</li> <li>• Project planning and monitoring</li> <li>• Stakeholder engagement</li> </ul>
4.	Collecting and analysing robust evidence	<ul style="list-style-type: none"> <li>• Developing audit tools</li> <li>• Data collection and analysis</li> <li>• Making judgements</li> </ul>
5.	Writing and delivering effective reports	<ul style="list-style-type: none"> <li>• Developing key messages and report structure</li> <li>• Report drafting</li> <li>• Agreeing factual accuracy</li> <li>• Preparing for publication</li> </ul>
6.	Learning lessons and measuring impact	<ul style="list-style-type: none"> <li>• Review of the project process and lessons learned</li> <li>• Promoting and monitoring the impact of reports</li> </ul>

# Standards



## Standard 1: Quality assurance

**1.1** Project teams use the PMF throughout projects to help ensure that quality is built into our work and a consistent approach is adopted. Senior managers ensure that teams comply with the PMF.<sup>2</sup>

**1.2** Senior managers create a culture of professionalism, rigour and openness to challenge through regular progress meetings and feedback.

**1.3** Senior managers review key outputs, such as project briefs, key messages documents and draft reports, to ensure that all conclusions and recommendations are supported by robust evidence, and that appropriate consideration is given to suggestions from internal and external reviews.

**1.4** Project teams comprise suitably skilled staff and have access to the skills required, where not available internally. Assignment of individual staff members to tasks takes account of availability, knowledge, skills, experience and developmental needs.

**1.5** Senior managers and project teams recognise the importance of delivering projects against agreed timescales.

- Audit Scotland aspires to be recognised as a centre of excellence for public audit. It is therefore important that we can demonstrate that we adhere to quality standards for our work. The PMF includes built-in quality assurance and aims to ensure: project teams retain ownership of projects; strong project development and monitoring; and effective delivery of key outputs. Project teams should use the guidance in the PMF (and linked documents) and the Performance Audit Manual to carry out projects as efficiently as possible and to produce consistent, high-quality outputs.
- Senior managers are responsible for creating a culture in which the processes for carrying out projects, and the quality of reports, are emphasised. This can be done 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 (eg, peer reviews) will help to ensure that key aspects of projects are addressed, for example, the major conclusions in draft reports are supported by robust evidence.
- 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. Project 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.
- 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 necessary, suitable external resources should be used to fill gaps.
- Both senior managers and project teams should recognise that delivering a project on time is an important part of quality assurance.

<sup>2</sup> For the purpose of these standards, 'senior managers' include portfolio managers, assistant directors, directors, the Deputy Auditor General and the Auditor General for Scotland. 'Project teams' include project managers, performance auditors, project officers and temporary staff such as secondments and consultants.

## Standard 2: Identifying and proposing suitable projects

**2.1** Projects are proposed by Audit Scotland staff after careful consideration of the relevant policy areas and consultation with internal and external stakeholders. Proposals should fit with one or more themes which have been identified for the study programme, and should take account of the AGS/Accounts Commission selection criteria.

- Most of our performance audits address subjects that we ourselves have identified. A suitable topic may emerge as a result of: concerns about the performance of a particular organisation or system of service delivery; changes in policy, resource allocations or management processes; or after new legislation has been implemented. It may involve a new programme or project that merits independent scrutiny, or a new set of targets. In addition to planned projects, we may also be asked to examine a particular topic that has come to public attention because of apparent poor performance, waste or impropriety.
- The development of our programme is based on a robust process of identifying appropriate topics and prioritising these in consultation with our stakeholders. In considering topics for inclusion in our programme, we must think about the current strategic issues and major themes, which ones we can and want to contribute to, and where we can add most value.
- Identifying potential projects depends on us having robust knowledge of the activities of public bodies and the wider policy areas in which they operate. This depends on regular discussion with appointed auditors and the public bodies themselves, and allows us to identify and prioritise key risk areas that inform the aim, objectives and scope of any potential project. Portfolio managers have a key role here but project teams can also contribute through sharing knowledge from previous work.
- When identifying a potential project, we also need to consider whether it will hold to account, help to improve or both, and whether it satisfies the AGS/Accounts Commission criteria for performance audit projects (for example, does it add value?). We also need to consider how potential projects would make an impact and whether they would provide risk-based and proportionate scrutiny in line with the Scottish Government's response to the Crerar Review.
- Project appraisal papers should be prepared for each potential project. These papers, which include the expected focus of the project, the potential impact and a first estimate of timescales and resources, are discussed by PRG Management Team. A shortlist of potential projects is then identified and a short paper containing a synopsis of each shortlisted project is discussed with the AGS and Accounts Commission.

### Standard 3: Project scoping, planning and management

- 3.1** The project design clearly sets out the rationale for doing the project and takes account of the key developments within the policy area of the project or the wider environment in which the audited body operates.
- 3.2** Each project is clear about what will and will not be covered, and the overall aims and objectives are clearly set out. An assessment of the planned impacts arising from the project is set out. The detailed issues to be addressed are clearly articulated, and the methods proposed are feasible and clearly related to these issues.
- 3.3** The project design considers how equalities and sustainability issues will be addressed.
- 3.4** Assistant directors and directors agree the budget and timescale for each project, as well as the resources and skills required, when senior managers give formal approval for the project to proceed. The risks to the successful delivery of projects, and how these risks will be addressed, are clearly identified.
- 3.5** Project teams are held accountable for the costs of projects and delivery against agreed milestones. Teams maintain accurate records of the progress of their projects to time and budget and report key information to assistant directors and directors and for monitoring and accountability purposes.
- 3.6** During the course of projects, teams maintain regular contact with auditors, audited bodies and other major stakeholders to keep them informed of emerging findings and conclusions.

### Scoping

- Thorough scoping of a project allows us to understand the area under review, identify the main issues and set the boundaries for the project. The background to the project, and the reasons why Audit Scotland should carry out the project, should be clearly set out.
- The aim and objectives of the project should include appropriate references to economy, efficiency and effectiveness. The objectives should lead logically to a detailed set of issues, which can be addressed using appropriate methods. Project teams should regularly review the extent to which the issues have been addressed by establishing clear links between the audit issues and the evidence collected. This reduces the likelihood of carrying out unnecessary fieldwork. It will also help teams to identify the key findings and form judgements and conclusions that will in turn facilitate the report drafting process.
- The main project methods and sources of evidence should be outlined, with project teams using at least two methods or sources of evidence to address each issue. Teams should use methods and sources that are most likely to deliver valid and reliable data, and should be aware of the potential burden on audited bodies of the methods chosen (eg, surveys).
- The scope of the project should be clearly articulated, including reasons why the project will not address certain issues. Relevant equalities and sustainability issues should be identified for each project as well as an outline of how these issues will be addressed.
- Scoping should identify the overall impact we expect the project to have, in addition to achieving the aims and objectives, in order to justify proceeding with the project. Using Audit Scotland's impact framework and identifying specific variables, which we expect to see improve following the project, will give us indicators that we can use to help measure the impact of the project. If the scoping work indicates that a project would only have limited impact, we should consider postponing the project until a later date or removing it from the programme.
- When scoping a project, teams should identify the key risks to successful delivery of the project, the likelihood and impact of these risks materialising, and what actions the team will take to minimise the risks. Examples of key risk areas which may be considered include difficulties in obtaining reliable data or unavailability of staff within audited bodies.
- At the scoping stage it is essential that project teams engage with audited bodies and other major stakeholders to secure their commitment to the project and their acceptance of the key issues.

### Planning

- It is important that the project team has the required knowledge and skills to carry out the project. Where necessary, team members may require extra skills that may be provided through training or coaching. Where external support is required, a clear business case should be prepared and the support should be commissioned and managed in accordance with Audit Scotland's procurement guidelines.

- Sound project planning is crucial to delivering projects as planned. In planning the project, teams should identify the key tasks to be completed and a realistic set of milestones. Detailed planning is required at three stages of the project: scoping, fieldwork and report drafting, and project plans should be continually reviewed and updated. Timescales for each stage should be realistic and should take account of the experiences of other projects. Contingencies should be built into the overall project plan to allow a degree of flexibility if projects face delays or difficulties. Project teams should allow sufficient time for review and approval of key outputs by senior managers.
- The agreed budget for the project should be realistic and should identify the expected staff time commitments and costs for each of the major milestones: project scoping, methodology development, fieldwork, report drafting and project review.
- Project teams should ensure that there is a robust audit trail for all of our projects. This includes a systematic approach to file retention and evidence to support senior managers' approval of specific outputs.
- Teams should complete relevant sections of the project review template throughout the project in order to track progress against key milestones and highlight any significant issues.
- Regular communication with audited bodies throughout the course of a project is essential. Specific issues that should be discussed include: the scope of the project; fieldwork sites and data requests; data validation; emerging findings; and conclusions and recommendations.
- It is also important that teams engage with key stakeholders, including auditors, members of the project advisory group and Accounts Commission project sponsors, at key stages of the project such as scoping and discussion of key findings. These stakeholders may also provide valuable advice on appropriate methodologies and data sources.

## Managing

- Once the assistant director and director have approved the budget, and the portfolio manager has approved the overall project plan, project teams will be required to provide regular progress updates to the portfolio manager, assistant director and director. Teams will be held accountable for any significant variances.
- There are a number of common factors that can adversely affect project delivery, for example, poor project definition, resource constraints and poor planning. If teams encounter delays or difficulties during the course of projects, they may need to consider modifying their approaches, for example, reallocating resources, to keep the project on track.

## Standard 4: Collecting and analysing robust evidence

**4.1** Project teams use appropriate methods to gather robust evidence that will address the issues identified at the scoping stage. A range of sources is used to establish a strong evidence base for the published report.

**4.2** Teams seek to collect information that is sufficient, reliable and relevant to the project. Analysis of audit evidence is rigorous and objective using appropriate methods and sound evaluative criteria.

**4.3** The factual accuracy of the audit evidence is agreed with the audited body at the earliest opportunity.

**4.4** Conclusions and recommendations are drawn from the evidence on the basis of considered and balanced judgement.

- Project teams should identify or develop appropriate methods to gather the evidence needed to address the project objectives and issues. This will help to ensure that our findings are robust and can hold up to scrutiny. Specific audit tools may be required to address particular issues, such as equalities or sustainability.
- The methods used will vary depending on the project, but in all cases a range of methods and sources should be used to provide the strongest possible evidence base. Project teams should consider whether the methods chosen justify the potential burden on audited bodies.
- Audit tools usually need to be piloted in order to ensure that they are effective. Similarly, teams should ensure that data analysis methods and techniques are fit for purpose, and that there is a systematic approach to managing audit evidence.
- In order to avoid an excessive scrutiny burden on audited bodies, project teams should discuss potential fieldwork sites with relevant Audit Scotland colleagues, appointed auditors and other scrutiny organisations, where appropriate. Teams should complete the fieldwork sharing tool and keep it up to date.
- All information collected for the project should be assessed for:
  - *validity*: based on sound reasoning and accurate information
  - *relevance*: has a logical relationship with, and importance to, the issue under examination
  - *reliability*: has been (or can be) measured or tested.
- Once appropriate information has been collected, and rigorously and objectively analysed, teams should adopt a systematic approach to recording their findings and grouping the audit evidence against the project issues. This helps to ensure that the evidence addresses the key issues and allows project teams to assess when sufficient evidence has been collected.
- It is essential that project teams agree the factual accuracy of the evidence with the audited body as the fieldwork progresses. This will help to avoid difficulties at the report drafting stage and when formally agreeing factual accuracy.
- A robust evidence base will help teams to make objective judgements about what conclusions should be drawn from the project. These judgements will also help teams to identify the key messages from the project and to make appropriate recommendations.

## Standard 5: Writing and delivering effective reports

- 5.1** Project teams prepare an initial key messages document and an outline report in line with good practice and in consultation with Accounts Commission sponsors and the AGS.
- 5.2** Teams allow sufficient time for the Accounts Commission, the AGS, senior managers, other internal reviewers, audited bodies and other external stakeholders to comment on draft reports and key messages, and for accountable officers and other relevant parties to agree the factual accuracy of reports.<sup>3,4</sup>
- 5.3** The report and key messages document are balanced and authoritative. They clearly summarise the main findings and conclusions, and set out useful and realistic recommendations for improvement.
- 5.4** The report and key messages document are well structured and use clear and concise language, and are produced in a style that allows the messages to be understood easily. The evidence that was used to form the judgements and conclusions is clearly presented.
- 5.5** Teams prepare thoroughly for the publication of the report and follow-up activities, including presentation to the Scottish Parliament Public Audit Committee.

- Before drafting the report, project teams must produce an initial key messages document and an outline report, which set out the evidence and findings in the order in which they may appear in the full report. Teams should set out a timetable for the various stages from report drafting to publication and agree with senior managers the types of output which will be delivered. Teams should also identify opportunities to maximise the impact of the report, for example:
  - by presenting the findings at conferences or seminars
  - developing a checklist that audited bodies could use to improve their practices.
- Reports must be based on sound evidence and the conclusions we make must be well argued. We need to ensure that our reports are balanced, fair and objective.
- Reports must be clear and concise, and have a logical structure. Plain language should be used to help readers' understanding, and an appropriate balance of exhibits and case studies should be included. Unfamiliar terms or concepts must be defined or explained, and new information should be introduced gradually.
- The contents page should tell the story of the report. The report should include a summary which succinctly outlines the background, objectives, scope and methodology of the project. The summary should also include the most significant key messages and recommendations. The headings and sub-headings must be 'active' and should provide a concise conclusion from the subsequent text. The headings should also provide adequate signposting throughout the report.
- The report should include the findings from an appropriate range of evaluative methods, and where appropriate, a discussion on the limitations of the data used. The report must include sufficient information and analysis on costs, benefits and performance.
- The conclusions, key messages and recommendations should flow logically from the findings in the report and address the main issues. They must be clearly linked to evidence, and consider relevant judgements and findings in other Audit Scotland reports.
- Recommendations must be useful and realistic and should clearly identify where improvements are needed. They should specify what needs to be done, and by whom.
- Project teams must work closely with Communications staff throughout the report drafting process in order to address any problems that arise and keep the report on track to meet the publication deadline.
- Teams must allow sufficient time for senior managers, other internal reviewers and external stakeholders, such as Accounts Commission sponsors and project advisory group members, to comment on the draft report, and for incorporating their comments into subsequent drafts. Teams should also liaise with audited bodies during the report drafting process to ensure that all issues of factual accuracy are addressed

<sup>3</sup> A separate key messages document is not produced for overview reports or reports on issues of public concern.

<sup>4</sup> AGS reports and joint AGS/Accounts Commission reports are sent to accountable officers (chief executives of public bodies and directors general within the Scottish Government). Accounts Commission reports and joint reports may be sent to relevant senior officials, such as council chief executives.

before draft reports are sent to accountable officers or other interested parties to agree the factual accuracy.

- Draft reports and key messages documents should be as close to the final versions as possible before sending to clearance and starting the desktop publishing process.
- Project teams must prepare thoroughly for the publication of the report. This includes: preparing an agreed press release and question and answer document, in consultation with the AGS and the Accounts Commission as appropriate; drafting a suitable distribution list; and preparing for potential media enquiries. Teams should allow sufficient time for senior managers to comment on draft speaking notes and briefing notes when preparing to present the report at the Scottish Parliament Public Audit Committee.

**Standard 6: Learning lessons and measuring impact**

**6.1** Project teams review how well the project was managed, and identify lessons that can be learned for the future.

**6.2** The impact of the project is monitored in a systematic manner, including progress on the implementation of recommendations.

- Following publication of the report, teams should review the project process and identify any lessons, good or bad, which could help the way we carry out projects in the future. The views of senior managers and external stakeholders should also be sought. Any lessons that are identified should be shared with colleagues, and practices changed accordingly.
- Project teams should develop a measuring impact plan which sets out how they will monitor both the short-term (three-month) and long-term (12-month) impact of the report. In the first instance, teams should refer back to the potential impact which was identified at the scoping stage to assess whether the report has had the desired impact.
- Teams should liaise with auditors about how they will follow up the impact of our reports locally, for example, through discussions at relevant audit committees. Teams should prepare suitable follow-up materials, such as presentations, to help maximise the impact of our reports. Progress against the report's recommendations should be fed in to the 12-month impact report.
- The impact reports are presented to the AGS and Accounts Commission, and high-level summaries of facts and figures are published on our website.

# Performance audit standards

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