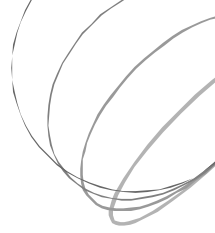


2010/11 Quality Report

Report on the quality arrangements in Audit Scotland for the year ending 31 March 2011

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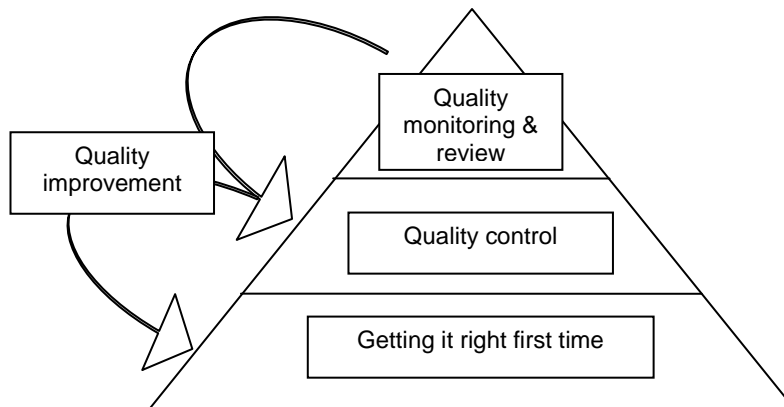


Introduction

1. On behalf of the Auditor General for Scotland and the Accounts Commission, Audit Scotland carries out financial and performance audits of various aspects of how public bodies work. The Auditor General and Accounts Commission also appoint external auditors from private firms of auditors, primarily for financial audit work.
2. Audit Scotland's corporate quality framework was revised during 2009 and includes a requirement for an annual report. This is the second such report produced under the framework. The report summarises the arrangements in place for maintaining a high quality of work, both by Audit Scotland and the appointed firms, for the services provided to the Auditor General and the Accounts Commission.
3. This report is prepared for Audit Scotland's Audit Committee as part of their overall assurance on internal controls and for the Accounts Commission and Auditor General to provide assurance to them as commissioners of audit work.
4. The Auditor General oversees the audits of most public bodies in Scotland (except local authorities). He can also decide to carry out performance audits of particular organisations, sectors or issues. The Accounts Commission arranges the audits of councils and police and fire and rescue boards and is responsible for the Best Value audit of local authorities. It also carries out performance audits.
5. The work undertaken covers over 200 organisations including:
 - 75 central government bodies (Scottish Government, non-departmental public bodies and others)
 - 23 NHS bodies
 - 32 councils
 - 45 joint boards and committees (including police and fire and rescue services)
 - 37 further education colleges
 - Scottish Water.
6. Appointed auditors (including staff of Audit Scotland) are required to follow Audit Scotland's Code of Audit Practice. The Code explains how auditors should carry out their functions under the Public Finance and Accountability (Scotland) Act 2000 or the Local Government (Scotland) Act 1973. A revised Code was approved in March 2011 to apply to the new round of audit appointments for 2011/12 to 2015/16.
7. Audit Scotland's Audit Strategy group is responsible for maintaining the corporate quality framework, oversight of the arrangements in place across Audit Scotland and preparing this report.

Quality Arrangements

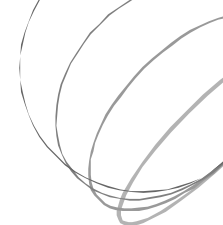
- The Audit Scotland corporate quality framework was approved in January 2010. It sets out the high level principles that Audit Scotland adopts in carrying out its work for the Auditor General and the Accounts Commission, including the production of an annual quality report. The principles within the framework apply equally to all of our work and all of our staff although the way in which they are implemented in practice will vary between Business Groups and according to the type of work being undertaken.
- The principles of the quality framework can be expressed diagrammatically as:



- The primary aim of our quality arrangements is to ensure that we get it right first time as often as possible. Quality control covers the routine processes designed to check, during the course of a project, that we are getting it right whereas Quality monitoring and review provides post project appraisal of quality. Feedback from each part of the arrangements is essential to provide continuous improvements in the quality of our work.
- Business Groups are responsible for establishing the quality arrangements for their activities including the processes for getting it right first time, quality control and quality monitoring and review. Key documents are available to staff on the Audit Scotland intranet (LIBRO). A brief description of the arrangements in place in each group is set out below.

Audit Services Group

- Audit Services Group (ASG) has had a quality framework in place since 2005, which reflects the corporate quality framework. ASG's framework covers financial audit, ethical and quality standards as required by the Auditing Practices Board. The foundation of ASG's quality framework is the ASG Audit Guide, which incorporates the application of professional auditing, quality and ethical standards

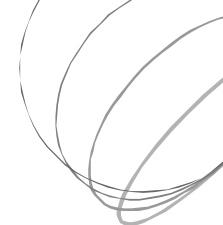


together with the Code of Audit Practice, into an audit methodology which is used across all audits in ASG.

13. The Professional Standards Group (PSG), which consists of staff members from across ASG and reports directly to ASG's Management Team, oversees the development of the Audit Guide and the integration of new standards into ASG's audit approach.
14. International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor's report or opinion is appropriate in the circumstances. As part of the system of quality control, ISQC1 states that an engagement quality control review, known in ASG as a *Peer Review*, should be performed for all audits meeting certain criteria. ASG Management Team has set out the criteria, which include among other things the size of fee, risk, and previous or anticipated qualified opinions on the financial statements.
15. Peer reviews involve discussion with the appointed auditors, a review of the financial statements and supporting information, and consideration of whether the proposed opinion is appropriate. ASG Directors nominate peer reviewers from the assistant directors group to carry out the reviews – peer reviewers have no involvement with the audit in the current or recent financial years, in line with ASG's rotation policy.
16. The Quality Monitoring Team, which is led by experienced senior staff, work closely with the PSG. Each year the team undertakes 'hot' and 'cold' reviews of audits. Hot reviews are carried out during the live audit process, focusing on judgements and risks and ensuring that audits are carried out in accordance with ASG's audit guidance. Cold reviews are undertaken after the completion of the audit and cover the same issues, in addition to which they look more broadly at the wider conduct of the audit including the impact on the public body. These reviews enable the team to report on areas for improvement, training needs and good practice.
17. The work of the PSG and Quality Monitoring Team feeds into the annual learning and development plan which incorporates mandatory annual practitioner updates for all ASG staff. These annual sessions provide training on changes to the Audit Guide and developments in auditing and professional standards.

Developments

18. ASG launched a revised Audit Guide in October 2010 as part of its annual audit update training session to all staff. The new Audit Guide adopts all the clarified International Standards on Auditing

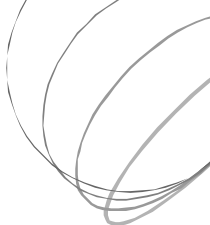


(ISAs), and has given increased prominence to quality control arrangements. The audit guide is supported by a number of guidance notes on specific issues such as using the work of an expert.

19. ASG fully rolled-out an electronic working paper system, MK Insight, for the 2010/11 audits. The system automates and further standardises the recording of the audit planning, judgements, results, and reporting of all ASG's audits. This will contribute significantly to further improving the quality and consistency of audits delivered by ASG.
20. ASG refreshed the membership of both the Quality Monitoring Team (QMT) and the Professional Standards Group in 2011. This provides development opportunities for staff and widens the skill base.
21. An independent, external review was introduced in 2009/10 (see paragraph 48). Discussions are continuing with Audit Strategy to identify the most effective and economical means of making external independent review a regular part of the quality control arrangements.

Appointed firms

22. All appointed firms are required to provide a summary of their quality arrangements as a part of their tender. All audit firms were required to complete a more detailed questionnaire setting out how their quality arrangements comply with International Standard on Quality Control 1 (ISQC1) in 2007/08. This exercise will take place once for each five year audit cycle and following any merger of firms. The next exercise will be undertaken later this year.
23. Firms are required to submit details of their own internal quality monitoring activity for the audits that they carry out under their appointment by the Auditor General for Scotland and the Accounts Commission.
24. Firms are appointed to audits by the Auditor General or the Accounts Commission. Firms must declare to Audit Strategy that they consider any non-audit work to be permissible under Ethical Standards. Audit Strategy reviews such assertions, and permits non-audit work only where it is convinced that such work is consistent with Ethical Standards. This contributes to the independence and Ethical conduct of audits.
25. The firms involved in auditing bodies under appointment from the Auditor General and the Accounts Commission in 2010/11 are:
 - PricewaterhouseCoopers LLP
 - KPMG LLP
 - Scott-Moncrieff

- 
- Henderson Loggie
 - Grant Thornton UK LLP
 - BDO LLP
 - Wylie & Bisset LLP
 - RSM Tenon Audit Ltd

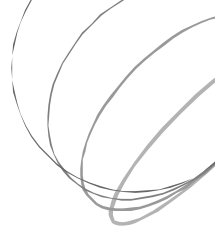
Performance Audit Group

26. Performance Audit Group (PAG) seeks to ensure the quality of its work through three primary documents: Performance Audit Standards, the Project Management Framework, and the Performance Audit Manual. These support and complement each other, together providing a quality assurance framework for performance audit work in PAG. They are supported by further specific guidance, all of which are under regular review.
27. The Performance Audit Standards, which broadly comply with INTOSAI standards and guidance for performance auditing¹, set out the expectations for all PAG projects and provide a summary of good practice for specific project stages (eg writing and delivering reports). The performance audit standards include a specific standard on quality assurance.
28. The Project Management Framework (PMF) is designed to support consistent standards of project management in PAG. It outlines the key stages of a PAG project and includes a number of actions and outputs that provide quality assurance. One of the requirements is for project teams to carry out a post project review for all audits, with the Assistant Director and Director, where they discuss the key project stages with a view to identifying potential good practice and/or lessons.
29. The Performance Audit Manual sets out the basic principles for performance audit work (eg what is a value for money audit), and provides practical guidance and support for implementing key stages of the Project Management Framework.

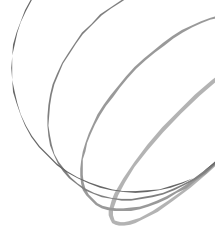
Developments

30. PAG has formalised arrangements with the National Audit Office (NAO), Wales Audit Office (WAO) and Northern Ireland Audit Office (NIAO) to carry out reviews of completed studies (cold reviews). PAG reviews reports from each of the partner audit agencies as part of the reciprocal arrangements.

¹ INTOSAI – The International Organization of Supreme Audit Institutions



31. PAG introduced a Performance Audit Improvement and Development function (PAID) in April 2010. The function is overseen by a designated portfolio manager. PAID is responsible for coordinating PAG's quality and process improvement activity. During 2010/11, the PAID function led or coordinated work on a number of projects relating to quality improvement. The most significant projects were:
- Review of use of surveys – PAG often uses surveys to collect data from audited bodies and from other external stakeholders. The data is used to inform PAG's performance audit work and reports. In May 2010, PAG appointed external experts to review its use of surveys, including an assessment of online survey software applications, and to identify areas for improvement. The outputs from this work included a report on findings, and the subsequent development of a questionnaire handbook. Building on this work, PAG developed a standard questionnaire template and appointed external experts to review six questionnaires that were prepared following the introduction of the handbook, to ensure that the principles and approach set out in the handbook were being followed.
 - Commissioning – PAG appoints consultants to provide expert skills or knowledge for some of its projects. During 2010/11, PAG reviewed and revised its guidance for tendering and appointing consultants. The output from this work was a commissioning handbook, which should ensure that all commissioning follows a consistent process. The handbook was shared and agreed with finance colleagues.
 - Drafting recommendations – The current financial climate has placed even greater emphasis on ensuring that PAG's work adds value. This includes ensuring that recommendations in national reports focus on key issues, and that they are clear, specific, realistic and measurable. PAID has developed a set of principles on recommendations, augmented by more detailed guidance which were issued in March 2011.
 - Project Reviews – During 2010/11, PAG augmented the post project review process in an effort to more effectively disseminate the findings from these reviews. Every 3-4 months the relevant project managers present project review findings at a group meeting. The project managers will look at compliance with PAG processes, highlight challenges, lessons and good practice, as well as possible solutions or ways to embed good practice. The whole group engages in discussion and PAID then considers how the findings/conclusions can be implemented.
32. In 2010, PAG introduced a mandatory internal peer review process for all performance audits. This peer review provides an opportunity for robust challenge by other managers independent of the project and takes place at both the scoping and the drafting stages of the audit. PAG uses the results of these reviews to inform the future direction of the audit, and to minimise the amount of input required by the Assistant Directors and the Director.

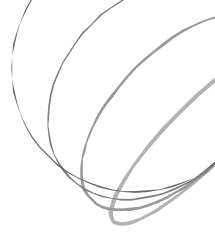


Best Value and Scrutiny Improvement Group

33. Best Value and Scrutiny Improvement Group (BVSIG) work is managed under a Best Value Quality Framework. The framework covers the Shared Risk Assessment (SRA) process and the Best Value (BV) audit work of councils and joint police boards and forces. It is supported by guidance on the SRA and audit work and a range of other tools, including BV toolkits. These toolkits provide guidance and direction for staff carrying out BV audit work. The toolkits are also available on the Audit Scotland website to ensure openness and transparency and help support improvement activity within audited bodies.
34. The SRA results in a rolling three-year Assurance and Improvement Plan (AIP) for each council. The AIP is a jointly authored document based on the work of senior officers from a range of audit and inspection agencies including Audit Scotland, HMIE, SCSWIS, SHR and the appointed auditors. A group of senior officers from the audit and inspection agencies carry out a 'pre screening review' on each AIP and refer selected cases to a Quality and Consistency Review Panel (QCRP). The QCRP includes senior officers from the audit and inspection agencies and local government. All BV reports are also subject to QCRPs at the scoping stage. The QCRPs consist of three or more senior officers independent of the BV audit team, and they review the logic and scope of the proposed BV audit work.
35. The BV audit work is subject to quality assurance by internal and external peer reviewers. The external peers are selected on the basis of the issues identified in the risk assessment and are drawn from a 'peer pool' of senior local government elected members and officers. Draft BV audit reports are reviewed by a QCRP which carries out an objective evaluation of the significant judgements being made by the audit team, and ensure that the overall assessments are consistent across BV audit work.
36. The audit teams carry out a 'lessons learned review' following the audit work to identify potential improvements to the audit process for future work. These are discussed at BVSIG Group meetings. Members of the Accounts Commission meet with representatives of councils and joint police boards and forces two to three months after the publication of the audit reports. This provides another opportunity for any 'lessons learned' to inform future audit work.

Developments

37. During 2010 IPSOS MORI were commissioned to carry out three independent evaluations. The first covered the SRA process, the second the BV audit and the third covered the joint BV audit and inspection of joint police boards and forces which are carried out in partnership with HMICS. The

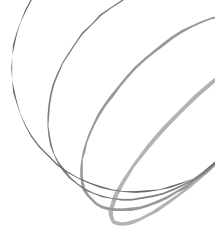


findings from these evaluations resulted in refinements to the risk assessment, audit and inspection processes.

38. In April 2011 the Accounts Commission agreed the audit approach for carrying out BV audit work in Fire and Rescue Services. This approach includes a QA framework which mirrors the one used for BV audits of councils and police boards and forces by using peer review and a QCRP.
39. During 2010 the BVSI Group set up a development project to review and consolidate the quality assurance processes which cover the wide range of work carried out by the group, including the thematic 'How Councils Work' reports and reports made under Section 102 of the Local Government (Scotland) Act 1973, into an overarching framework. The review is drawing from best practice QA arrangements used by the other business groups within Audit Scotland. The review is nearing completion and its recommendations will be implemented as appropriate during 2011.

Audit Strategy Group

40. Audit Strategy carries out a quality appraisal function for all financial audits carried out under appointment from the Auditor General for Scotland and the Accounts Commission, covering the work of both the firms and Audit Services Group.
41. The principal objectives of the quality appraisal work are to:
 - provide assurance to the Auditor General and the Accounts Commission on the quality of audit work undertaken; and
 - promote improvements and good practices in auditing.
42. The approach recognises the recent developments in professional standards and professional regulation. This means that Audit Strategy can rely on work undertaken by auditors and their regulators, supported by surveys of audited bodies' views of the services that they receive, reviews of a sample of audit reports and monitoring of outputs against plans.
43. Monitoring of work by Audit Strategy consists of a number of inter-related activities, each carried out at varying frequencies depending on their purpose:
 - review of the auditor's own quality control and monitoring arrangements in line with ISQC1
 - review of public Audit Inspection Unit (AIU) reports (or equivalent)
 - product readings
 - service quality surveys
 - output monitoring



- oversight of acceptance of non-audit work
- responding proportionately to complaints about auditors
- considering the impact of conflicting audit judgements between auditors
- independent reviews of audits by Audit Strategy.

Each of these activities is expanded upon in the “Results of Quality Control Activity” section below.

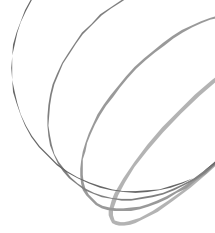
44. None of the measures in place provide absolute assurance for any of the elements of the quality appraisal framework. However, absolute assurance cannot be gained, nor is it an aim of the framework to do so.

Developments

45. The Audit Strategy quality appraisal framework remains in draft. The bulk of the framework dealing with the oversight of financial audit is not in question, however discussions are ongoing regarding Audit Strategy’s role in business groups’ quality arrangements. The framework is expected to be finalised and approved in 2011. This and the publication and dissemination of the corporate quality framework will further embed the quality processes throughout the organisation.

46. As part of the development of the quality appraisal framework, it was identified that reviewing partnership working arrangements (ie firms carrying out work on behalf of PAG/BVSIG) would provide useful information on the quality of firms’ engagement with Audit Scotland. Arrangements for monitoring this are under development, and are expected to be in place upon approval of the quality appraisal framework.

47. The larger firms involved in local government, central government and health audits have been submitting their own quality control reports for some time. From 2010, the firms involved in further education also began sending in their quality control reports. The first such reports cover colleges’ 2008/09 or 2009/10 years.



Results of Quality Control Activity

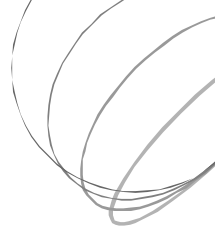
Audit Services Group

Corporate Review of Audit Scotland

48. Deloitte LLP carried out a review of ASG's arrangements for ensuring audit quality in financial audit work, including coverage of corporate level arrangements in Audit Scotland in 2009/10. This involved reviewing arrangements across five categories against ISQC1 requirements, including corporate arrangements covering leadership and human resources.
49. The overall assessment placed Audit Scotland within the good practice range with a targeted state of moving this towards the best practice range. An action plan to move towards best practice is in place, with 46% of actions complete or already in place, 31% on track and 23% where there are compensating controls, or where Audit Scotland has decided to accept the risk. Audit Services Group has only one action remaining to complete, with a further 10 where responsibility lies elsewhere. Audit Strategy is overseeing the on-going work to complete the outstanding actions.

Quality Monitoring Reviews

50. The QMT carried out four cold reviews of 2009/10 audits. The team concluded that all four audits were carried out in compliance with ASG's Audit Guidance or the NAO's "Audit Strategy for EU Agricultural funds: Accounts for UK Paying Agencies," as appropriate. The QMT notified audit teams and agreed action plans where documentation or audit approach could be strengthened.
51. Though hot reviews are normally undertaken every year, these were not carried out on any 2009/10 audits. This was to allow the teams involved in the MKI pilots sufficient time to develop the new system and resolve any difficulties encountered in the first year of rolling out the electronic working papers package. The QMT plan to carry out hot reviews as normal for the 2010/11 audits.
52. A small number of themes from these reviews have been identified and shared with ASG Management Team. In general, they are different from prior years, which would suggest that previously identified themes are improving. The themes identified this year will be fed into the Professional Standards Group for inclusion in the mandatory annual audit update. The main issues for improvement were:
 - Greater consistency between the risks identified and the audit work planned as recorded in all associated documents



- Clarity on the basis for sample selection and justification for extrapolation/non-extrapolation for errors found (this is common to last year's findings)
- Better and more timely documentation of where reliance is being placed on the work of internal audit.

Peer Reviews

53. Nine 2009/10 audits met the criteria for a peer review. In each case, the peer reviews were completed in a timely manner and confirmed that the audit opinions were appropriate.

Performance Audit Group

54. Partner audit agencies completed two reviews of 2010/11 reports in the year. The findings were positive, noting in particular the findings, conclusions and robustness of the reports. The format of the reports was identified as an area where there is scope for improvement.

55. PAG held its first review of project reviews in February 2011 (as described in paragraph 31). This covered seven 2010 performance audits. Some themes to emerge were already known, and some new themes were identified. In all cases, a number of solutions were proposed and discussed, however it is too early to be able to generalise across PAG from these early findings.

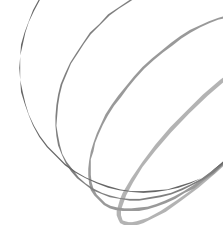
Best Value and Scrutiny Improvement Group

56. The findings from the independent reviews carried out by Ipsos MORI, QCRP findings, 'lessons learned reviews' and post audit meetings between members of the Accounts Commission and audited bodies have been used to refine the audit and inspection process for councils and joint police board and forces. They have also been used to inform the audit approach for BV audit work in fire and rescue services and will influence the overarching QA framework for the BVSI group.

Audit Strategy Group

Appointed Auditor's own ISQC1 quality control and monitoring arrangements

57. In the course of the year, Audit Strategy received copies of all the quality control reports carried out on public sector audits from all audit providers covering their 2008/09 work. This includes providers of FE colleges for the first time. The equivalent ASG report covers the 2009/10 audits and is reported at paragraph 50 and 52).



58. All the reports continue to show that firms carry out quality control work in line with international standards on auditing and International Standard on Quality Control 1 (ISQC1). Findings show that the quality of work is high and Audit Strategy can continue to rely upon it.

Review of public Audit Inspection Unit (AIU) reports

59. The AIU has published public reports on each of the big four and one covering other significant audit firms in late 2010. This means that two of the eight firms in our regime have had AIU reports in 2010. Audit Strategy has reviewed the public reports of each of the larger firms used. Given that the larger firms have broadly consistent methodologies and procedures across all of their audit work, Audit Scotland can take some assurance for the purpose of its work. The reports review firm-wide systems and processes for ensuring audit quality, and review a sample of their audits of public interest entities.
60. Each of the firms in our regime achieved satisfactory results from the AIU reports. Where firms are not covered by the AIU, some assurance can be gained by their registration with their professional bodies' Audit Registration Committee, and from their coverage in the AIU's report on the inspection of smaller firms.

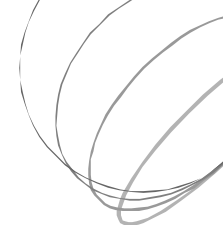
Product readings

61. A sample of annual audit reports was read by Audit Strategy and assessed to confirm compliance with the Code of Audit Practice, and as an assessment of the quality of reporting to each of the audit bodies. For the 2009/10 audits, one report from each audit provider for each sector they worked in was reviewed.
62. The key findings from the product read exercise were that some reports were very well written and none were considered to be fundamentally unsatisfactory or inadequate. Quality surveys also show that audited bodies are mostly satisfied with the annual report they receive. Overall, the findings show that reporting was satisfactory.

Audit service quality surveys

63. Audit Service Quality Surveys were carried out in line with our programme covering the health and further education sectors for the 2009/10 audits.
64. The key indicators are:
- what audited bodies thought of the quality of service provided by the auditors, and
 - whether the audit had made, or will make, a difference to them in the four areas defined in our corporate impact framework.

A summary of the responses received is shown in the table on the next page.



	% positive responses	
	Health	Further education
Overall quality of service	94	100
Area of impact of audit		
Assurance and accountability	94	100
Planning and management	87	96
Economy and efficiency	71	90
Effectiveness and quality of services delivered by audited bodies	64	92

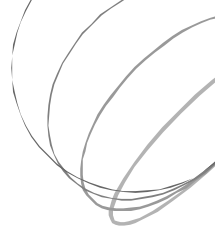
65. Comments made by audited bodies about the impact of the audit were mostly related to the provision of assurance, and specific accounting issues. Positive feedback related mostly to good planning, working relationships, good communication, staff flexibility and professionalism.
66. Suggested improvements were very varied, with no single issue being raised with any frequency. However, in both surveys, at least half of the bodies did not identify any areas for improvement.
67. Copies of all completed questionnaires are sent to the relevant auditors. Where bodies' responses indicate scope for improvement, auditors are directed to discuss the issues with the body and to consider any actions that might be taken to improve the situation.

Output monitoring

68. The following table sets out the key outputs from each sector for the audits of the 2009/10 financial statements:

	Local Govt	Health	Central Govt	FE
Audit opinion on time	30 September 10 76/76 (100%)	30 June 10 23/23 (100%)	31 October 10 67/71 (94%)	31 December 10 38/39 (87%)
Audit report on time	31 October 10 76/76 (100%)	31 July 10 23/23 (100%)	30 November 10 67/71 (94%)	31 December 10 38/39 (87%)
Accounts laid on time	N/A	31 December 10 23/23 (100%)	31 December 10 70/71 (99%)	30 April 11 39/39 (100%)

69. Delays in certification and reporting in FE and three central government bodies were due to issues arising through the audit, including a fraud leading to a section 22 report. These were issues outside the auditors' control, and they made Audit Scotland aware of the issues as they were on-going. In these cases the accounts were still laid on time, with the last FE accounts received on the 11th March 2011. The fourth delay in central government was due to the auditor being unaware of the accounts



laying arrangements resulting in the accounts being laid late. The accounts were received on the 5th January, and the laying process was explained to the auditor in question.

70. In all cases, final payment of fees took place when all audit work had been completed.

Oversight of acceptance of non-audit work

71. Throughout the year, firms have obtained approval for any non-audit work. All applications were assessed against the Ethical Standards in force prior to approval. Based on the non-audit work approved during 2009/10, and because of the independent appointment of auditors, we are able to obtain assurance of the independence of auditors.

Respond proportionately to complaints about auditors

72. There have been no complaints about the quality of work undertaken by auditors this year. This is an important element of our overall assurance on the quality of auditors' work.

Consideration of conflicting audit judgements between auditors

73. There have been no significant conflicting judgements between auditors this year. In the course of the year, there have been regular sectoral meetings and technical forums involving auditors from each of the four sectors, where emerging or contentious technical issues were discussed.

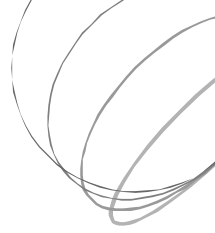
Independent reviews of audits by Audit Strategy

74. Monitoring of the quality of audit provision during 2010/11 has not highlighted any audits needing an independent review by Audit Strategy.

Conclusion

75. Overall, on the basis of the arrangements in place and activity for the year, it is reasonable to conclude that Audit Scotland and the private firms continue to provide the Auditor General and the Accounts Commission with high quality work.

76. The report shows that arrangements across ASG, PAG and BVSIG are continuing to develop, with significant effort on obtaining regular external, independent appraisal of their work.



Glossary

AIP – Assurance and Improvement Plan, a jointly authored, three year rolling plan covering scrutiny work planned for a council.

AIU – The Audit Inspection Unit (AIU), part of the Professional Oversight Board, itself a part of the Financial Reporting Council, is responsible for the monitoring of the audits of all listed and other major public interest entities.

ASG – Audit Services Group, part of Audit Scotland with responsibility for carrying out financial audits of all public bodies audited by Audit Scotland.

BV – A duty of audited bodies or accountable officers. It is defined in statute for local authorities as continuous improvement in the performance of functions. In securing Best Value local authorities are required to balance issues of quality and cost, have regard to efficiency, effectiveness, economy and the need to meet equal opportunity requirements, and contribute to the achievement of sustainable development.

BV audit – The audit of Best Value and Community Planning.

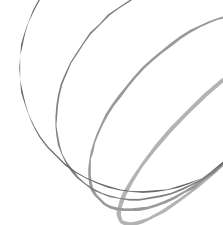
BVSIG – Best Value and Scrutiny Improvement Group, part of Audit Scotland with responsibility for Best Value, scrutiny co-ordination, and overview reports across all sectors.

Ethical Standards – Ethical Standards are set by the Auditing Practice Board and apply in the audit of financial statements. They are a set of basic principles and essential procedures together with related guidance in the form of explanatory and other material covering the integrity, objectivity and independence for auditors.

INTOSAI – The International Organisation of Supreme Audit Institutions operates as an umbrella organisation for the external government audit community.

ISA – International Standards on Auditing are professional standards for the performance of financial audit of financial information. These standards are issued by International Federation of Accountants (IFAC) through the International Auditing and Assurance Standards Board (IAASB), and approved in the UK by the Auditing Practice Board.

ISQC1 – International Standard on Quality Control 1 is the professional standard for quality control. This standard is issued by International Federation of Accountants (IFAC) through the International Auditing and Assurance Standards Board (IAASB), and approved in the UK by the Auditing Practice Board.



NAO – The National Audit Office is responsible for auditing the accounts of all Westminster led government departments and a wide range of other public sector bodies, and has statutory authority to report to Parliament on the economy, efficiency and effectiveness with which departments and other bodies have used their resources.

NIAO – The Northern Ireland Audit Office is responsible for auditing central government and local government in Northern Ireland. It also carries out value for money audits, reporting to the Northern Ireland Assembly.

PAG – Performance Audit Group, part of Audit Scotland with responsibility for national reporting across the public sector.

PMF – The Project Management Framework, PAG's guide to support consistent standards of project management.

PRG – Public Reporting Group, part of Audit Scotland, and the predecessor group to BVSIG and PAG.

PSG – Professional Standards Group, part of Audit Services Group responsible for overseeing the development of the Audit Guide and the integration of new standards into ASG's audit approach.

SRA – Shared Risk Assessment, a process involving a joint approach using key information about a body to plan scrutiny activity that is proportionate and based on risk. SRA is undertaken by a joint scrutiny network of senior officers from a range of audit and inspection agencies including Audit Scotland, HMIE, SCSWIS, SHR and the appointed auditors, and leads to the preparation of an assurance and improvement plan, part of which may be the conduct of a Best Value audit

WAO – Wales Audit Office, either directly audits Welsh public bodies, such as the Welsh Assembly Government and the NHS or, as in the case of local government, appoints auditors to do so.