

ANNUAL REPORT

13/14

**TRANSPARENCY
AND QUALITY**

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

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Key messages

- Audit Scotland's Corporate Plan confirms our commitment to systematically improve the quality and impact of our work. Our Quality Framework, which was revised in 2013 to reflect international initiatives on the quality of audit, continues to provide an effective principle-led structure for our quality control and quality monitoring activities.
- The quality control arrangements in place across Audit Scotland continue to develop to drive us towards our vision of being a world-class audit organisation.
- The results of quality monitoring activities this year enable us to provide assurance to the Auditor General and the Accounts Commission that high-quality work has been carried out during 2013/14.

Introduction

1. Audit Scotland supports the Auditor General and the Accounts Commission to ensure public money in Scotland is used properly, efficiently and effectively. It does this by carrying out financial, performance and Best Value audits across the public sector in Scotland whose total annual spend is approximately £40 billion per annum. In carrying out this work Audit Scotland seeks to be transparent in its governance and operations and to produce consistent high quality audits.
2. Audit Scotland is a statutory body established under the Public Finance and Accountability (Scotland) Act 2000 to carry out audits and examinations for the Auditor General for Scotland and the Accounts Commission. The Auditor General audits or appoints the external auditor of most public bodies in Scotland except for local authorities where the Accounts Commission is responsible for securing audits.
3. The work undertaken in 2013/14 covers over 200 organisations including:
 - 75 central government bodies (Scottish Government, non-departmental public bodies, agencies and others)
 - Scottish Parliamentary Corporate Body
 - 23 NHS bodies
 - 32 councils
 - 11 local government pension funds
 - 45 joint boards and committees
 - 32 further education colleges
4. Professional firms that carry out audits of significant public interest companies are required to produce Transparency Reports; Audit Scotland is not covered by the underlying regulations but has chosen to produce its own report to comply with best practice.
5. Audit Scotland's Quality Framework, which sets out the high-level principles underpinning the quality of its work, was updated in 2013 and took account of a number of national and international initiatives and publications including the International Audit and Assurance Standards Board's *A Framework for Audit Quality* (2013; now finalised and published in 2014) and the Financial Reporting Council's *Professional Scepticism* (2012). The revised Framework 2013 required the annual quality report for 2012/13 onwards to take the form of a *Transparency and Quality Report* in line with best practice for auditors of public listed entities in the private sector.

6. This report therefore combines information on the overall structure and governance of Audit Scotland (*transparency*) with information on the arrangements in place for producing high quality work, by Audit Scotland and the appointed firms, in the services provided to the Auditor General and the Accounts Commission (*quality*). The report is prepared for Audit Scotland's Audit Committee to provide assurance to it and to the Board prior to the sign-off of the Annual Report and Accounts. The report also provides assurance to the Auditor General and to the Accounts Commission on the quality of the audit work carried out on their behalf.

Transparency

Vision, Values and Priorities

Vision

7. Audit Scotland's Corporate Plan 2012-2015 sets out our vision to be a world-class audit organisation that improves the use of public money. The organisation's key function is to provide independent assurance to the people of Scotland that public money is spent properly and provides value for money.

Values

8. Audit is at the heart of the work carried out by Audit Scotland staff. The principles which guide this work are set out in the Code Of Audit Practice:
 - Auditors are independent of the organisations that they audit
 - Public audit is wide in scope to reflect the accountabilities attached to the use of public money
 - Audits are based on comprehensive risk assessment
 - Reports are made public
 - Auditors work in partnership with each other
 - Auditors work collaboratively with other scrutiny bodies
 - Auditors work as catalysts to help public bodies improve their performance
 - Audits are carried out to a high standard using skilled and experienced staff
 - Audits are informed by assessment of costs and benefits and achievement of Best Value or value for money
 - Auditors balance confidentiality and information security with public accountability and freedom of information
9. Following consultation with staff, Audit Scotland has identified a set of core values that underpin our work. These are:
 - Independence and integrity: these values are integral to the credibility of the audit and it is important that auditors exhibit appropriate values, ethics and attitudes when carrying out their work
 - Valuing people: we empower and support our staff to be engaged, highly skilled and perform well
 - Quality: we systematically improve the quality and impact of our work - our arrangements for securing high quality are described in this report
 - Cooperation: we work together as one organisation

- Great communication: we seek out and manage information and intelligence to deliver excellent audits.

Priorities

10. The Corporate Plan priorities for 2014 focus on developing the quality and sustainability of our work with ongoing investment in specific projects as follows:
 - A review of audit expectations to help maximise the impact of our work; this project was launched in 2013 and the feedback from stakeholders will assist in shaping our next strategic plan
 - A streamlining of Audit Services Group's (ASG) audit methodology
 - Development of an audit intelligence system to improve the use of data, guide our work and inform our judgements.

Governance and Structure

Governance

11. Effective governance is vital to our long-term sustainable success. Audit Scotland aims to apply the same high standards of governance and operations to ourselves as we recommend for others.
12. The Public Finance and Accountability (Scotland) Act 2000 established Audit Scotland as a corporate body to provide assistance and support to the Auditor General and the Accounts Commission. The Board of Audit Scotland supports the Auditor General and the Accounts Commission in their statutory responsibilities and oversees how Audit Scotland manages and uses resources but is not involved in individual audit judgements.
13. The statutory arrangements provide for effective governance of Audit Scotland whilst preserving the independence of the Auditor General and the Accounts Commission in their statutory roles. Independent audit judgements are made by the Auditor General, the Accounts Commission, the Controller of Audit and appointed auditors.
14. Audit Scotland is accountable to the Scottish Parliament for its use of resources through the Scottish Commission for Public Audit (SCPA), a parliamentary body whose membership includes MSPs from all main parties, which scrutinises Audit Scotland's budget and annual report and accounts. The SCPA also appoints the independent members of the board including the chair and appoints an external auditor.
15. The Act provides for a five-member board which has overall responsibility for the strategic direction of the organisation and for approving significant policies. The Board members during 2013/14 were:
 - An independent chair, Ronnie Cleland, and two independent non-executive members, Katharine Bryan (to March 2014) and John Maclean, who are appointed by the SCPA

- The Auditor General for Scotland, Caroline Gardner who is also the Accountable Officer for Audit Scotland. She was appointed by the Crown for a single fixed term of eight years from 1 July 2012
- The Chair of the Accounts Commission, Douglas Sinclair (from 1 December 2013) (John Baillie to 30 November 2013): the Accounts Commission is responsible for local authority audits and is independent of local government; the Chair and Commission members are appointed by Scottish Ministers.

16. The Board is supported by two committees:

- An audit committee which supports the Board by reviewing the internal controls, risk management processes and governance arrangements. The committee oversees the appointment of internal auditors and considers the annual report and accounts and reports from both internal and external auditors. In addition to board members, Heather Logan was co-opted to the committee for one year from January 2014.
- A remuneration and human resources committee which supports the Board in determining the remuneration of management team members and the remuneration policies for all staff. The remuneration of the Auditor General is set by the Scottish Parliamentary Corporate Body. The remuneration of the independent board members is determined by the SCPA.

17. A management team oversees Audit Scotland's day-to-day operations. The members at 31 March 2014 were:

- Caroline Gardner, Auditor General for Scotland
- Diane McGiffen, Chief Operating Officer, who chairs the management team meetings and is responsible for Audit Scotland's internal operations and business performance
- Russell Frith, Assistant Auditor General, who is responsible for the external strategic and development work of financial audit, as well as auditing and accounting standards, technical support and quality assurance. He advises on the appointment of auditors, the oversight of audit quality and provides guidance and advice on accounting, auditing and ethical matters to auditors. He acts as Audit Scotland's Ethics Partner and is supported by the Audit Strategy Group
- Fraser McKinlay, Director of Performance Audit and Best Value, who is also Controller of Audit and leads the Performance Audit and Best Value Group (PABV)
- Fiona Kordiak, Director of Audit Services, who leads ASG which provides in-house audit services to the health, central government, further education and local government sectors
- Lynn Bradley, Director of Corporate Programmes, who is responsible for key areas of development including corporate knowledge and information management and corporate performance reporting

In addition, Barbara Hurst, as Director of Performance Audit, managed the then Performance Audit Group (PAG) until 3 July 2013.

Operational Structure

18. During 2013/14 Audit Scotland brought together two of its business groups, the Performance Audit Group (PAG) and the Best Value and Scrutiny Improvement Group (BVSIG), in order to reflect the changing external environment of cross sector and partnership working and to benefit from uniting the closely linked skills of the two groups. The resulting operational structure is:
 - ASG which carries out annual risk-based audits on a five-year appointment cycle
 - PABV which is responsible for delivering the Auditor General and Accounts Commission's programme of national performance audits and carries out Best Value (BV) audits of local authorities, scrutiny improvement including shared risk assessments and Community Planning Partnership (CPP) audits
 - Audit Strategy whose key responsibilities are audit procurement, technical guidance and support, reviewing and reporting on audit quality, coordination of the National Fraud Initiative exercise in Scotland and delivering benefits performance audits of local government
 - Corporate Services which includes staff in communications and media, finance, information services, human resources and organisational development, facilities management and business support.
19. The Auditor General or the Accounts Commission appoint the external auditors of public bodies in Scotland for periods of five years with the current appointments ending with the 2015/16 audits. Appointments to carry out annual audits are split between ASG staff and seven private firms; the latter carrying out just under half of these engagements. The Appendix contains a break-down of sector appointments by firm. Performance and Best Value audits are generally carried out by Audit Scotland staff with assistance from appointed auditors or external experts where appropriate.
20. Audit Scotland has a workforce of approximately 260 whole-time equivalent staff, over half of whom are in ASG. Staff are based at our offices in Edinburgh, Glasgow and Inverness.

Finances

21. Audit Scotland submits annual budget proposals to the SCPA for consideration. The SCPA takes evidence in public on the proposals and then makes a report to the Scottish Parliament as part of the annual Budget Act approval process.
22. Audit Scotland's activities are funded through direct funding from the Scottish Consolidated Fund (2013/14: £6.3 million) plus audit fees paid by the audited bodies, bank interest and miscellaneous income (2013/14: £17.6 million).
23. We embarked on a four-year plan in 2010 to reduce the cost of audit by at least 20% in real terms by 2014/15 and over the period to the end of the 2013/14 audit year we have delivered a cumulative real term reduction in fees of 23.5%.

Quality

The components of a quality audit

24. In keeping with our vision to be a world-class audit organisation, our Corporate Quality Framework takes account of the five elements of a quality audit set out in the International Audit and Assurance Standards Board's (IAASB) *A Framework for Audit Quality*. The Framework states that:

A quality audit is likely to have been achieved by an engagement team that:
<ul style="list-style-type: none"> Exhibited appropriate values, ethics and attitudes
<ul style="list-style-type: none"> Was sufficiently knowledgeable, skilled, and experienced and had sufficient time allocated to perform the audit work
<ul style="list-style-type: none"> Applied a rigorous audit process and quality control procedures that complied with law, regulation and applicable standards
<ul style="list-style-type: none"> Provided useful and timely reports and
<ul style="list-style-type: none"> Interacted appropriately with relevant stakeholders

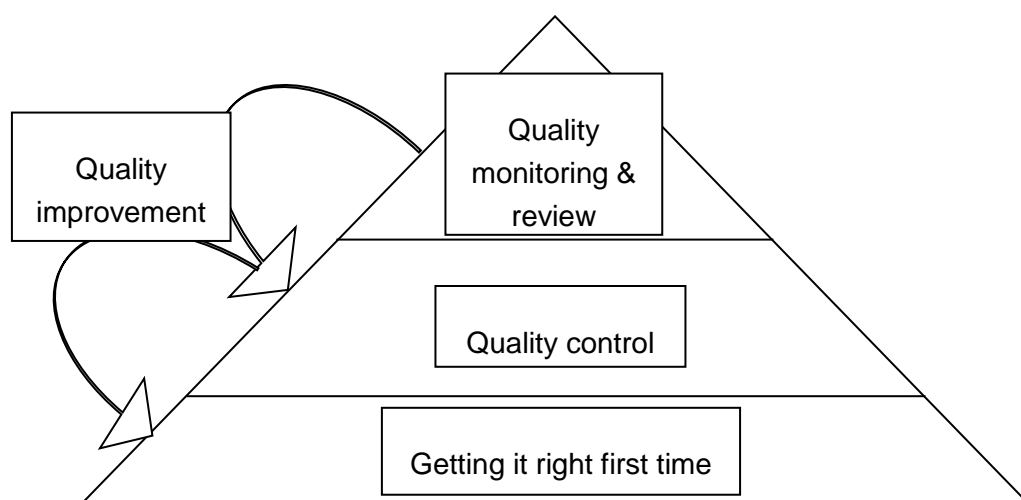
Source: IAASB, *A Framework for Audit Quality, Key Elements that Create an Environment for Audit Quality*, IFAC, February 2014, Para 2

25. Our Quality Framework sets out how these important components are relevant to Audit Scotland's work. Key quality appraisal activities such as biennial audit quality surveys issued to audited bodies for feedback and internal or peer reviews of our work provide assurance on these criteria. The remainder of this report describes in more detail how we demonstrate these elements across our business groups through the quality control arrangements which have been put in place and the results of quality assurance activities during the year.

Quality arrangements

26. As was noted in the Transparency section of this report, our staff consider quality as one of the core values underlying the work which they carry out. Our Corporate Plan confirms our commitment to systematically improve the quality and impact of our work. This commitment is embedded in our Quality Framework document which sets out the following principles:
- Quality is the responsibility of everyone in Audit Scotland
 - Our approach to quality will drive continuous improvement across Audit Scotland
 - Quality will be assessed in terms of outputs, outcomes and impact, as well as inputs and processes

27. The overall quality framework is shown in the diagram below:



28. Getting it right first time is key to Audit Scotland being a high quality, efficient and effective audit organisation and requires that quality is embedded in all our thinking, our processes and our activities. Each member of staff in Audit Scotland has a responsibility to get it right first time, and needs to demonstrate a commitment to quality in everything they do.

29. Quality control refers to quality management during an audit or project. It may involve peer review and in some cases external input. There are four principal characteristics of quality control:

- Review at regular intervals by staff internal or external to the organisation
- Regular internal challenge sessions
- Formal assessment of adherence to local quality processes
- Proportionality of quality control activities to maximise the quality and efficiency of work and allow staff to retain a sense of ownership.

30. Quality monitoring and review ensures that all types of audit work are reviewed and lessons are learned and used to improve our processes and methodologies. The activities undertaken as part of quality control and quality monitoring and review are described in more detail in the sections below on quality arrangements and results of quality control activity.

31. Our Corporate Plan priorities for 2014 confirm that we will continue to develop professional and ethical requirements in line with international developments and make sure they inform all of our judgements. We revised our quality framework last year to reflect our vision and priorities and focus on professional scepticism, making reports valuable and our use of resources.

32. The diagram below summarises the respective responsibilities within Audit Scotland for the key strands of audit quality:



33. 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.
34. The Corporate Quality Group supports the maintenance of the Corporate Quality Framework and the preparation of this *Transparency and Quality Report*. With representatives from each business group, it co-ordinates and shares best practice in quality monitoring and review and supports each business group's quality control and monitoring procedures. These arrangements are described in detail in the Appendix to this report.
35. The following sections of the report outline the results of our quality control activity during 2013/14 and developments in audit quality arrangements taking place in each business group.

Results of Quality Assurance Activity

Audit Services

Quality monitoring reviews

36. At the commencement of our current five-year appointments for 2011-16, ASG Management Team agreed that a five-year cycle of 'cold' reviews would be developed to align with the audit portfolio timescales. Cold reviews are comprehensive audit reviews undertaken by the Quality Monitoring Team (QMT) or partner-body (see below) after publication of the annual audit

report. In 2011-12, the first year of the current round of audit appointments, eight cold reviews were completed by the QMT and partner-bodies.

37. Our arrangements for the 2012/13 audits incorporated the presence of the Institute of Chartered Accountants of Scotland (ICAS) quality monitoring team, who completed their second biennial assessment. The scope of their work was to:
 - cold review a sample of audits to assess the quality of audit work and compliance with the International Standards on Auditing (ISAs) and the Auditing Practices Board's (APB) Ethical Standards
 - review financial statement disclosures for the audited entities sampled
 - review Audit Scotland's progress against the findings contained within the report issued in relation to the outcomes from their first assessment of 2010/11 audits.
38. ICAS selected a sample of six audits for review, with their sample selection designed to ensure coverage across all six of ASG's assistant directors between this visit (Cycle Two) and their earlier assessment in 2012 (Cycle One). We were pleased with the positive assurance provided by the ICAS work and the relatively small number of areas for improvement identified. ICAS's findings have been shared with the relevant audit teams and the Professional Standards Group (PSG) who will consider whether any further guidance or training is required for the wider ASG.
39. As a result of the ICAS reviews, the QMT undertook fewer assessments in 2012/13, reducing the coverage to four audits. The audits selected for coverage were based on a combination of the risk profile of the audit, planned coverage of engagement leads and a mix of sectors. Our conclusions from these reviews broadly mirrored the findings from the ICAS reviews with all audits complying with ISAs in all material respects but scope identified for improvements in the audit approach and in the recording of audit work. Areas for improvement have been advised to the respective audit teams for action.
40. As part of the review process undertaken by QMT, we continued to work with other UK audit agencies. The Northern Ireland Audit Office (NIAO) carried out the cold review of one of the four audits selected for review by the QMT and we completed a reciprocal review of one of theirs. The NIAO also concluded that the audit they reviewed complied with ISAs. The minor recommendations made by the NIAO are being actioned by the audit team concerned.
41. The involvement of partner audit bodies in cold reviews continues arrangements that were established in 2012. In addition to providing us with further external assessment of our work, these reciprocal cold reviews provide the QMT with the opportunity to share good practice that they identify with ASG teams.
42. The overall conclusion from quality monitoring this year was that the selected audits were completed in compliance with the ISAs and with ASG's Audit Guide in all material respects. Areas for improvement have been shared with individual teams and action plans developed to implement these. Where improvement areas require wider consideration, the QMT has shared findings with the PSG which develops ASG's audit approach. The key messages from the review work will also form part of the annual technical update session for all ASG staff and will

be reinforced by ASG. Hot reviews (see Appendix) for 2013/14 commenced in April 2014 and include a focus on issues identified through the cold review process.

Engagement peer reviews

43. ASG's Audit Guide sets out the criteria for an audit to be considered for an engagement peer review under the International Standard on Quality Control (ISQC1). Fifteen 2012/13 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.

Audit Strategy

Financial Reporting Council Audit Quality Review Reports

44. The Financial Reporting Council's (FRC) Audit Quality Review team (AQR) carries out annual audit quality inspections. The FRC issued public reports in spring 2013 for four of the seven firms which undertake audits for the Accounts Commission and the Auditor General:
 - PricewaterhouseCoopers
 - Deloitte
 - KPMG
 - Grant Thornton.
45. The reports cover a review of the firm-wide systems, policies and processes for ensuring audit quality, and a sample of their audits of public interest entities. In its inspections, the AQR team monitors firms' compliance with Auditing Standards, Ethical Standards and Quality Control Standards. PricewaterhouseCoopers, Deloitte and KPMG, as members of the 'Big Four' firms, are subject to a full-scope AQR annually; Grant Thornton, as a major firm outwith this group, is inspected every two years. The FRC has also produced an annual report summarising all of its inspection work. This brings together common findings and examples of good practice.
46. The four firms' public reports show a better combined performance when compared to the sample of firms overall inspected by the AQR team, with 67% of the audits sampled being assessed as *good with limited improvements required* (59% for the whole population), 24% as *acceptable overall with improvements required* (26%), and 9% *requiring significant improvement* (15%).
47. We have reviewed the individual reports and noted the recommendations for improvement made by the AQR team (which have been formally accepted by each firm); we record these recommendations as part of our own overall monitoring of the firms and use the information as a basis for dialogue with them.
48. The results of the AQR inspection work provide Audit Strategy with additional assurance over the quality of audit work carried out by four firms who collectively audit approximately one third of our audited bodies.

The Institute of Chartered Accountants of Scotland Audit Monitoring

49. The three appointed firms outwith the AQR inspection scope (Scott-Moncrieff, Wylie & Bisset and Henderson Loggie) are registered by ICAS to carry out audit work and thereby fall within its audit monitoring responsibilities. ICAS's Annual Audit Monitoring Report for 2013 was reviewed and the overall outcomes were reported to PSG as areas for consideration for future training.

Firms' own quality control results

50. Firms carry out their own internal audit reviews each year and Audit Strategy request copies of any reports issued from these activities and review them. In relation to the 2012/13 audit year, five such reports were received relating to public sector audits procured for the Auditor General or Accounts Commission. The findings from the review were satisfactory in terms of the quality of the internal review work carried out.

51. Annual transparency reports are published by the five largest firms which provide external audit work for the Auditor General and the Accounts Commission. Copies were obtained and reviewed to ensure the information within them was consistent with our own understanding of quality arrangements within these firms. The FRC's AQR team also read the firms' transparency reports during their audit inspections and we take note of their comments. We have no concerns in regard to these reports.

Review of audit outputs

52. A sample of 60 2012/13 annual audit reports was reviewed by Audit Strategy for their compliance with the Code of Audit Practice, and as an assessment of the quality of reporting to the audited bodies. Our review covered all sectors and all audit providers.

53. The key findings from the product read exercise were that reports were on the whole compliant with the Code and were of a good quality. Examples of good and poor practice will be reported back to auditors in time to be addressed for the 2013/14 annual reports.

Audit service quality surveys

54. Audit service quality surveys were issued to 56 central government (CG) and 35 local government (LG) bodies, asking for feedback on the 2012/13 audits. Response rates were 61% and 91% respectively.

55. The key indicators are:

- What audited bodies thought of the quality of service provided by the auditors
- Whether the audit had made an impact on the bodies in the four areas defined in our corporate impact framework
- Whether relevant national performance reports had had an impact on the body.

56. A summary of the responses received is shown in the tables below. The feedback was significantly positive in terms of the quality of audit service delivered and the overall impact of audit work. The impact of national performance reports in the CG sector reflects the more

diverse range of bodies and the fact that some reports may not be considered relevant to a particular organisation. The varied results for the specific impact areas reflect that not all audits plan to achieve impact in each area on every audit.

Exhibit 1

Central Government

	% positive responses
Overall quality of service	94
Overall audit impact	82 (Finance Directors) 86 (Audit Committee Chairs)
Impact of audit on:	
• <i>Financial sustainability</i>	56
• <i>Transparent reporting of financial & other performance</i>	74
• <i>Value for money</i>	49
• <i>Governance & financial management</i>	74
Impact of 3 national performance reports (average)	35

Exhibit 2

Local Government

	% positive responses
Overall quality of service	97
Overall audit impact	91 (Finance Directors) 89 (Audit Committee Chairs)
Impact of audit on:	
• <i>Financial sustainability</i>	72
• <i>Transparent reporting of financial & other performance</i>	78
• <i>Value for money</i>	56
• <i>Governance & financial management</i>	84
Impact of 7 national performance reports (average)	77

Output monitoring

57. Exhibit 3 sets out the key outputs from each sector for the audits of the 2012/13 financial statements:

Exhibit 3 Outputs

	LG	Health	CG	FE
Audit opinion on time	30 September 13 88/88 (100%)	30 June 13 22/23 (96%)	31 October 13 71/76 (93%)	31 December 13 32/32 (100%)
Annual audit report on time	31 October 13 76/88 (86%)	31 July 13 23/23 (100%)	30 November 13 65/76 (86%)	31 December 13 30/32 (94%)
Accounts sent for laying on time	N/A	31 December 13 23/23 (100%)	31 December 13 76/76 (100%)	30 April 14 32/32 (100%)

58. During 2013/14, PABV delivered 24 reports against a target of 20.

Oversight of acceptance of non-audit work

59. Audit Strategy oversees any requests by auditors to carry out additional work outwith the external audit. These requests must be made to Audit Strategy in writing and be accompanied by express assurance that the designated Ethics Partner has reviewed the proposed work and does not consider it to pose any threats to the auditors' independence.
60. During the year Audit Strategy has given approval to a small number of such requests, having assessed them against current Ethical Standards and obtaining assurance that the independence of the external auditors would not be compromised. One request was refused on the grounds that public perception of the auditors' independence may have been compromised by the nature of the additional work being considered.

Respond proportionately to complaints about auditors and audit work

61. Audit Scotland operates a complaints handling process which conforms to the complaint handling procedures set out by the Scottish Public Services Ombudsman. Complaints are systematically analysed, investigated and reported to Management Team and the Board. Three formal complaints were received during the year. Two complaints met our complaints handling criteria and were accepted, and one rejected as it was outwith our complaints handling criteria: following due consideration, none of the valid complaints were upheld. There have been no complaints by audited bodies 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

62. There have been no conflicting judgements between auditors this year leading to different audit opinions being given. Guidance on key technical matters to inform auditors' judgement has been provided by the Technical Services Unit (TSU). In addition, 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

63. Monitoring of the quality of audit provision during 2012/13 has not highlighted any audits requiring an independent review by Audit Strategy. Two specific issues which emerged from events occurring in 2012/13 were reviewed in 2013/14 and recommendations for minor improvements in audit quality were made.

Performance Audit and Best Value

64. Partner agencies (NAO, NIAO, and WAO) completed reviews of three performance audit reports, namely *Prescribing in general practice in Scotland*, *Scotland's key transport infrastructure projects* and *Management of patients on NHS waiting lists - Audit update*. The findings were positive, with particular emphasis on the clarity of audit judgements and strength of the evidence base to support audit recommendations. Areas for potential improvement included the use of technical language and 'jargon' and the extent to which recommendations were likely to lead to service improvements.
65. During 2013, we reviewed the tools in use for managing performance audits; the basis for our review was the organisation's current emphasis on impact and the implementation of four audit dimensions to focus work across Audit Scotland. These dimensions are a better understanding of financial sustainability, more transparent reporting of financial and other performance, better value for money and improved governance and financial management. Our review covered the documentation used for project appraisal and project briefs and the templates in use, including the one for reporting impact which now reflects the new dimensions above.
66. The consultancy firm, Rocket Science, was asked to review Audit Scotland's arrangements for measuring the impact of its work and provided us with some improvement opportunities which we incorporated into our review. As a result, our new template recognises the benefits of 'telling stories' as an effective way of capturing impact and enriches the information about downloads and media coverage.
67. Six impact reports have been prepared using the new template:
- *Cardiology services*
 - *Commissioning social care*
 - *Commonwealth Games 2014 progress report 2: Planning for the delivery of the XXth Games*
 - *Modernising the planning system*

- *The role of Community Planning Partnerships in economic development*
 - *Learning the lessons of public body mergers*
68. As noted at paragraph 55 above, the audit service quality surveys issued to central and local government bodies during 2013/14 included questions on the impact of performance reports. For central government bodies, positive responses were strongly correlated to how relevant each report was to the particular body; of the three reports referred to, the *Managing ICT Contracts* report attracted the most positive responses with 68% of respondents saying it had contributed to improved governance and financial management. Seven reports were mentioned in the local government survey with high positive responses received for the *Local government overview* and *Managing performance: Are you getting it right?* reports (both 88%), *Using cost information to improve performance: Are you getting it right?* (84%), *Managing capital investment in councils* (78%) and *Improving community planning* (73%).
69. The higher positive responses for local government reports reflect the more homogenous sector and the strong impact these reports have had. Average impact scores across the four audit dimensions mentioned previously were 67-86% for local government reports and 32-38% for central government reports - with its more diverse nature, central government impacts were not only weaker than in local government, they were also ranked differently with value for money being rated as the highest area (this was ranked bottom by local government respondents). Many participants provided useful comments on the reports which are being evaluated by the PABV group. In addition, a short survey on the usefulness and impact of the Accounts Commission's How Councils Work series of reports was issued to council leaders, chief executives and chairs of Council Audit Committees to inform the Accounts Commission's 2014 Strategy Seminar. The survey findings are being used to inform the further development of this stream of audit work.
70. During 2013/14 members of the Accounts Commission met with representatives of ten audited bodies following the publication of audit reports as part of our quality feedback arrangements. The meetings focus on key audit findings, the audited bodies' response to those issues and feedback from the audited bodies on the audit process itself. Feedback from the audited bodies has been positive and constructive.
71. The consultancy firm, Rocket Science, carried out an independent evaluation of the three early CPP audits which took place in 2012/13. The evaluation found:
- The audits proved timely and valuable, describing the key issues around CPPs in ways which are likely to help CPPs across Scotland to look at themselves and act to enhance both their impact and their ability to describe it
 - Key messages were reported clearly and succinctly and it was useful to draw on the common themes and the wider experience of Audit Scotland (from BV and CPP audits) to produce a National Overview Report
 - The structure and logic of the approach and the methodology have been widely appreciated

- The leadership of the overall audit process attracted praise from all those interviewed, in particular the role played by the manager of the CPP audit process
 - All the wider stakeholders expressed strong support for the process and methodology and felt that the reports would prove valuable in helping CPPs to improve their focus, rigour and performance.
72. Rocket Science also identified a number of areas where refinements and improvements could be made to the CPP audit process. These included:
- Considering the balance of emphasis in the audit on the past, present and future performance of CPPs, given some misgivings expressed by the three early audits about the focus and emphasis of some of the reports and the extent to which they reflected fairly on recent action and improvements
 - Considering what scope there is to simplify and focus the methodology to ensure greater consistency of application across future audits
 - Giving further thought on how best to achieve consistency of approach across different audit teams in relation to the style of engagement with the audited body and interpretation of aspects of the audit methodology
 - Reflecting on how the audit considers and addresses data and attribution given the acknowledged difficulties in linking improved outcomes to partnership working and in particular the leadership of CPP boards and thematic groups.
73. The Accounts Commission and the Auditor General for Scotland considered the Rocket Science report last summer and agreed a joint response to its recommendations. Audit Scotland is taking forward the improvement recommendations as part of the refined audit approach being applied on the five CPP audits that are taking place in 2013/14 (Glasgow, Moray, Falkirk, West Lothian and the Orkney Islands).
74. The CPP audit process was also subject to two internal reviews during 2013/14. The first focused on the quality assurance arrangements that were in place for the first three CPP audits; a report was submitted to Audit Scotland's Audit Committee in May 2013 and two low level recommendations were made to improve the consistency of approach across audit teams, and in particular consistency in recording factual accuracy comments made by CPP partners on draft audit reports. The second review, looking at the consistency of approach adopted for the five CPP audits taking place in 2013/14, reported to the Audit Committee in April 2014 but made no recommendations for improvement.

Developments in Audit Quality Arrangements

Audit Services: Developments

75. ASG has a well established framework for delivering audits which complies with relevant auditing standards. In 2013 we streamlined our audit approach in order to reinforce the importance of focus on judgements and professional scepticism and help de-clutter our audits. *Streamlining Audit* training events were held for all ASG staff in 2013 and initially focused on

our approach to audit planning. Over the next year we will extend our streamlined audit approach to other parts of our audit responsibilities. This lean improvement approach was aimed at improving workflow and eliminating waste in the planning and risk assessment process, while maintaining full compliance with relevant auditing standards and meeting stakeholder expectations.

76. Our electronic working papers package, MKI, is now well-established across all teams in ASG. Its usage, along with our Audit Guide (updated in January 2014) ensures consistency of working practices across ASG.
77. The QMT is continuing to develop its reciprocal arrangements with the other UK audit agencies and worked with the NIAO in the past year on 2012/13 cold reviews. We will be maintaining ongoing dialogue to learn lessons from these arrangements and to explore further development opportunities.
78. During 2014 the QMT will review ASG's quality monitoring framework and programme of work to move beyond process to culture and judgements. ASG aims to ensure an appropriate focus and coverage of audit judgements and professional scepticism and will develop training to cover essential auditing skills.

Audit Strategy: Developments

79. Audit quality surveys were revised during the year and Ipsos MORI was involved in making improvements to the survey instrument. PABV re-drafted questions on the impact of specific performance reports in order to obtain more detailed feedback. The results from the CG and LG surveys are presented to Audit Scotland's Management Team and to the Accounts Commission's Financial Audit and Assurance Committee and to the chief executive officers of bodies in each sectors and the auditors, all in the form of summary reports; in addition we prepared a separate report on the impact results for our Impact Group and on the performance reporting results for PABV and made presentations to ASG QMT and to the CG sector meeting in order to disseminate the findings more widely.
80. Audit Strategy is trialling a quality scorecard which will gather together the various strands of our quality monitoring activities for each of our audit providers. This project is at an early stage but it is hoped it will provide us with a clear overview of our work and enhance quality assurance.
81. We provided a summary of common weaknesses found by the FRC and ICAS in their quality monitoring of audit firms to ASG's PSG which, together with the recommendations made by ICAS from its review of ASG audit work, will help to identify areas for training and guidance in order to improve the quality of audit.
82. We revised the Fit and Proper form, a mandatory self-assessment checklist completed annually by ASG staff, and rolled it out to all staff across our organisation. The form covers compliance with our Code of Conduct and other key policies including the Ethical Standards Policy. This development recognises our stated aim to work as one organisation to deliver

excellent audits and will ensure that the highest standards of behaviour are maintained by all staff involved in providing and supporting the audit work carried out by Audit Scotland.

Performance Audit and Best Value: Developments

83. PABV was created in spring 2013. It brings together the previous BVSI team and PAG into a single larger group with the scale and capacity to deliver high quality, innovative national and local audit work on behalf of the Accounts Commission and Auditor General for Scotland.
84. PABV was fortunate to inherit well-established quality management arrangements that had existed in its predecessor groups. However, the creation of the new group also presented an important opportunity to review the previous arrangements to identify and share best practice and create efficiencies by aligning and streamlining quality processes in the new single group.
85. Work has therefore begun to develop a single framework for managing quality in PABV and this will continue through 2014 with the objective of having one agreed framework in place by the end of the current audit year. This framework will align with the strategic direction for quality management as approved by Audit Scotland's Board and with Audit Scotland's Corporate Quality Framework. IAASB's Framework for Audit Quality referred to in paragraph 24 is relevant to our performance audit, statutory reporting, BV work, CPP audit work and management of correspondence.
86. Four development workstreams were established to support PABV:
 - Leading the Group
 - Who we are
 - What we do and how we do it
 - Managing the business

Part of the objectives of the third workstream is to establish an agreed approach to quality assurance for all PABV products and to develop a common audit management framework and standards for all PABV work. Detailed work on managing audit evidence and making clear audit judgements is also planned within this workstream; these are all important elements of audit quality. The *who we are* workstream includes as part of its activity the development of a Learning and Development Plan for PABV which will involve staff training on quality-related topics such as managing audit evidence, and forming and reporting clear audit judgements.

87. Other development activity will involve concluding the review of the local government BV audit on behalf of the Accounts Commission and implementing any necessary changes and improvements; and continuing the improvement activity and capacity building of the correspondence function within PABV, drawing on the recommendations from the independent review by Ipsos MORI and Queen Margaret University which reported in May 2013. We will also examine workload management in PABV to ensure staff have the time and space to perform their work to the highest standard as well as investing in training and development, including coaching and mentoring, to equip our staff with appropriate skills to deliver high quality work. The review of the local government BV audit is a significant undertaking that will be informed by both the outcomes of the Expectations of Audit project

and decisions on the future approach to auditing CPPs. Early work has begun on this review including engagement with the Accounts Commission on this topic at their strategy seminar in March 2014 and corporate discussions with Audit Scotland's Assistant Directors' Group.

88. PABV's strategic scrutiny group commissioned a review of the Shared Risk Assessment (SRA) process during 2013 to take stock after four cycles of SRA and in the context of a significantly changed scrutiny landscape and the creation of new national police and fire services. In light of earlier feedback from SOLACE about inconsistencies of approach to the SRA process, the review solicited feedback from a third of local authority chief executives on their experience of the process. Chief executives were supportive of the SRA process, indicating that it has been useful in providing a framework for coordinating engagement between councils and scrutiny bodies and has improved the scheduling of local audit and inspection work. They did however highlight some areas for improvement such as the need for more consistent engagement between local area network (LAN) leads and greater clarity on how SRA judgements are formed.
89. The strategic scrutiny group review also considered the merits and practicalities of extending the SRA process from a local government scrutiny risk assessment into a 'place and partnership' risk assessment and joint scrutiny planning model. The rationale for this was the increased emphasis on 'partnership' and 'place' as key pillars of the Scottish Government's public service reform agenda.
90. As a result of the SRA review and feedback, four focus areas were established for the current SRA process and were communicated to LAN leads and members at this year's training courses.

Conclusion

91. Overall, the arrangements in place and activity for the year provide assurance that Audit Scotland and the private firms continue to provide the Auditor General and the Accounts Commission with high quality work.
92. In particular, the quality appraisal work carried out by Audit Strategy on the work of the firms and ASG has confirmed that each auditor:
 - understands and complies with the Ethical Standards in force during the course of the audit and is independent of the audited body
 - has the required professional competence to carry out the audit in accordance with relevant standards and the Code of Audit Practice
 - operates in a regulatory environment that actively oversees auditors
 - has delivered audit opinions that can be relied upon
 - delivered timeous reports which have met the needs of a majority of key stakeholders.
93. The audits undertaken by ASG and the firms would therefore satisfy IAASB's definition of a quality audit (as per paragraph 24 above).
94. The report demonstrates that arrangements across Audit Scotland's business groups are continuing to develop, with the aim being to ensure that our quality monitoring framework remains effective.

Appendix. Quality arrangements

This appendix summarises the quality arrangements in place across the organisation.

Audit Services: Quality arrangements

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 FRC. 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. The Audit Guide is supported by a number of guidance notes on specific issues such as audit testing guidance.

The 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 any new standards into ASG's audit approach. The Audit Guide is kept under review and was most recently updated in January 2014.

In addition to complying with the Audit Guide, auditors are required to complete audit engagements using a software tool called MK Insight, an electronic working paper package which allows them to document their work to provide evidence of compliance with relevant auditing standards. The package also incorporates appropriate levels of supervision and management.

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. An updated ISQC1 arrangements questionnaire, describing the quality control and quality monitoring arrangements in place within ASG, was completed and submitted to Audit Scotland's Audit Strategy Group in 2012, in support of its quality appraisal process.

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.

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 management team 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.

ASG operates a rotation policy which complies with the Ethical Standards. The policy is designed to reinforce auditor independence by rotating key senior staff every five years and thus protect against threats to independence such as over-familiarity with management at an audited body. ASG staff must complete an annual fit and proper declaration which covers time spent on particular audits as well as compliance with Audit Scotland's Code of Conduct.

The QMT, which is led by experienced senior staff, works 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, primarily at the planning stage of the audit and ensuring that audits are carried out in accordance with ASG's Audit Guide. Cold reviews are undertaken after the issue of the audit report and cover the same issues, but with additional work which looks more broadly at the wider conduct of the audit including the soundness of the audit opinion and the impact on the public body. A programme of cold reviews has been developed which aims to ensure that all financial audit engagement leads are subject to review over the portfolio appointment period. The QMT reviews enable the team to report on areas for improvement, training needs and good practice.

A programme of external monitoring is also in place, which includes cold reviews of audits, as well as considering compliance with quality control standards. The latest external cold review programme was undertaken by ICAS in January 2014. ICAS's 2014 visit was the second of two agreed in their contract of appointment. We found the external perspective very helpful in both providing assurance and in identifying areas for improvement and will now consider how to maximise the benefit of future external reviews.

For the 2012/13 cold reviews external monitoring continued to include reciprocal review arrangements with the NIAO. These arrangements allowed for one of the audits selected as part of the 2012/13 cold review programme to be subjected to an independent review. In return, two members of the QMT carried out a reciprocal review in the NIAO's offices in Belfast in November 2013.

The work of the PSG and the QMT, along with findings from external monitoring, feed into the annual learning and development plan which incorporates mandatory annual practitioner updates for all ASG staff. These annual update sessions provide training on changes to the Audit Guide and developments in auditing and professional standards. In 2013, ASG undertook a more wide ranging review of its audit approach in which it sought to reinforce the importance of focus on judgements and professional scepticism and help de-clutter our audits. Streamlining Audit training events were held for all ASG staff in 2013 and initially focussed on our approach to audit planning. Over the next year we will extend our streamlined audit approach to other parts of our audit responsibilities.

Appointed Firms: Quality arrangements

At the start of the five year audit cycle in 2011/12, all the appointed audit firms were also required to complete a detailed questionnaire setting out how their quality arrangements complied with ISQC1. As part of this initial process, the firms and ASG submitted details of

their internal quality monitoring activity for the audits which they would carry out under their appointment by the Auditor General for Scotland and the Accounts Commission.

Where firms plan to undertake any non-audit work for the audited bodies to which they have been appointed, they must declare to Audit Strategy that they consider such work permissible under Ethical Standards. Audit Strategy reviews any such assertions and permits non-audit work only where it agrees that the work is consistent with Ethical Standards. This review enhances the independence and ethical conduct of the audits.

During 2013/14 the firms under appointment from the Auditor General and the Accounts Commission completed the following 2012/13 audits:

No of audit appointments: Firm	Central Government	Local Government	Health	Further Education	Total
KPMG LLP	9	9	0	6	24
PWC LLP	10	7	4	0	21
Scott-Moncrieff	1	2	7	7	17
Grant Thornton UK LLP	6	6	0	4	16
Deloitte LLP	1	6	3	0	10
Henderson Loggie	0	0	0	6	6
Wylie & Bisset LLP	0	0	0	6	6
Total	27	30	14	29	100

Audit Strategy: Quality arrangements

Audit Strategy carries out a quality appraisal function for all financial audits conducted under appointment from the Auditor General for Scotland and the Accounts Commission by the firms and ASG. This work is described in detail in Audit Strategy's Quality Appraisal Framework which was approved in May 2012.

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
- Promote improvements and good practices in auditing

Audit Strategy carries out a number of activities in its monitoring role:

- Reviews firms' and ASG's quality arrangements including Transparency reporting by firms

- Reviews external assurance, in particular reports issued by the FRC's AQR team on professional firms as well as monitoring reports produced by ICAS
- Reviews and assesses audit outputs, giving feedback to auditors on examples of good and bad practice
- Issues and reports on audit quality surveys, audited bodies in each sector being asked for their views every two years and findings being relayed to auditors and to the Management Team
- Monitors audit outputs for timeliness and completeness
- Oversees acceptance by firms of non-audit work
- Responds proportionately to complaints about auditors
- Considers the impact of conflicting audit judgements between auditors
- Independently reviews audits

Each of these activities is expanded upon in the 'Results of Quality Assurance Activity' section in the main body of the report.

The IAASB's *A Framework for Audit Quality* highlights the importance of access to high quality technical support. Auditing requires knowledge of a considerable number of technical areas including financial reporting, auditing standards, and legislation. The TSU is a small team of technical specialists who keep financial auditors up to date with developments and provide guidance and assistance on complex areas to inform auditors' judgement and support the exercise of professional scepticism.

None of the measures in place provides 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.

PABV: Quality arrangements

The work of the predecessor group, PAG, was focused largely on national performance audit and annual overview reports on NHS and colleges' financial performance, undertaken on behalf of the Accounts Commission or Auditor General for Scotland (or jointly). Well-established arrangements for managing the quality of performance audits were in place within PAG and continue to apply in PABV. These draw on a comprehensive project management framework (PMF) that covers each key stage of a performance audit from project selection, audit design, fieldwork and reporting through to post-audit review and impact assessment. The PMF is supported by the in-house performance audit manual and performance audit standards which comply with INTOSAI standards. A comprehensive library of good practice guidance is also available to staff to support their work.

The work of BVSI group was managed under a BV Quality Assurance Framework which covered the main strands of audit work: the SRA process, BV audit work, audits of CPPs, statutory reports (S102 or S22), local government overview reports, reports in the 'How

Councils Work' series, statutory performance reporting and dealing with correspondence from the public, including MPs and MSPs.

The BVSI quality framework, which continues to apply within PABV, is supported by a range of processes, procedures and guidance, including BV toolkits, which provide guidance and direction for staff carrying out BV audit work. The BV toolkits are also available on the Audit Scotland web site to ensure openness and transparency and help support improvement activity within audited bodies.

Both PAG and BVSI had well-developed arrangements for internal and external peer review and challenge, and made extensive use of independent external evaluation when major new audit developments were introduced e.g. CPP audits. The culture of quality improvement is therefore well-established in PABV with all audit teams carrying out a 'lessons learned' review following the audit work to identify potential improvements to the audit process for future work. These are supplemented by 'reviews of project reviews' where common issues identified in post-project reviews are discussed by the Group along with potential systems-wide improvements and/or solutions.

The Auditor General and the Accounts Commission are the key clients for our reports. Both are involved at the planning and reporting stages of our work to provide input to help ensure that the audits are of a high quality and will meet their needs.

Corporate Services: Quality arrangements

Corporate Services ensure there are effective policies and procedures to support the organisation and to support the quality audits undertaken by Audit Scotland staff. Key policies and procedures are reviewed on a regular basis and approved by Management Team and/or the Board.

All aspects of Corporate Services are subject to internal audit as part of a programme of audit approved by the Audit Committee. Actions for continuous improvement are recommended by the auditors and these are tracked to ensure implementation. External audit confirms that our systems and processes are effective for accurately managing our financial resources in accordance with our operating procedures and legislation.

A style guide supports the audit process by ensuring that all audit reports that are published follow Audit Scotland's brand style. Established procedures cover all aspects of the desk top publication process. Reports are quality checked for accuracy, completeness, grammar and plain English prior to publication. Internal guides set out media processes with media and parliamentary monitoring taking place.

We use the Information Technology Infrastructure Library (ITIL) set of practices for our IT service management which ensures alignment of our IT services with the needs of business. ITIL describes processes, procedures, tasks, and checklists for establishing integration with our strategy, delivering value and maintaining a minimum level of staff competency.

The quality of staff training and development initiatives are evaluated through the completion of a post course questionnaire. The questionnaire evaluates the materials, delivery, clarity and

trainer performance ensuring that the training and development initiative helps make a difference in the delivery of the daily work of staff.

This year our records management arrangements were evaluated by the Keeper of the Records staff under the requirements of the Public Records Scotland Act 2011. Our records management plan was approved as complying with the Act.

Glossary

APB - The Auditing Practices Board operated under the Financial Reporting Council and was responsible for producing auditing and ethical standards for audit practice in the UK and Northern Ireland. The FRC was restructured in July 2012 and the APB has been replaced by an Audit and Assurance Council.

AQR - Audit Quality Review, part of the FRC's audit monitoring activity, responsible for monitoring the audits of all listed and other major public interest entities.

ASG - Audit Services Group, part of Audit Scotland with responsibility for carrying out audits of public bodies falling within the remit of the Auditor General and the Accounts Commission.

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. A BV audit is one which examines BV and Community Planning.

BVSI - Best Value and Scrutiny Improvement Group, had responsibility for BV, scrutiny co-ordination and overview reports across all sectors. In 2013 BVSI and PAG merged to form PABV group.

CPP - Community Planning Partnerships, a process by which councils and other public bodies work together, with local communities, businesses and voluntary groups, to plan and deliver better services and improve the lives of people who live in Scotland. It was given a statutory basis by the Local Government in Scotland Act 2003. PABV conducts audits on the effectiveness of CPPs.

Ethical Standards - ethical standards originally set by the APB and applicable to auditors of financial statements. The standards 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 of auditors.

FRC - Financial Reporting Council, the UK's independent regulator responsible for promoting high quality corporate governance and reporting to foster investment. It monitors and enforces accounting and auditing standards and oversees the regulatory activities of the professional accountancy bodies and operates independent disciplinary arrangements for public interest cases involving accountants and actuaries.

IAASB - The International Audit and Assurance Standards Board which is an independent standard-setting body that serves the public interest by setting high-quality international standards for auditing, assurance, and other related standards, and by facilitating the convergence of international and national auditing and assurance standards.

ICAS - The Institute of Chartered Accountants of Scotland, the first professional accountancy body, it was established by Royal Charter in 1854. ICAS regulates members and firms.

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

ISA - International Standards on Auditing, the professional standards for the performance of financial audit of financial information. ISAs are issued by the International Federation of Accountants (IFAC) through IAASB and are approved for use in the UK, with any necessary adaptations, by the FRC and are referred to as ISAs (UK and Ireland).

ISQC1 - International Standard on Quality Control 1, the professional standard for quality control, as with the ISAs, issued by IFAC through IAASB and approved for application in the UK by the FRC.

LAN - Local Area Network: The SRA process is carried out in each council by the Local Area Network (LAN). The LAN comprises representatives of all the scrutiny bodies who engage with councils. The role of the LAN is to ensure that information and intelligence held by each audit and inspectorate body is shared, enabling external scrutiny to be targeted on the areas of greatest risk.

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 - Northern Ireland Audit Office, 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.

PABV - Performance Audit and Best Value Group, created in June 2013 following the merger of the two business groups PAG and BVSI. PABV has responsibility for developing and delivering a programme of performance, BV and CPP audits along with overview and statutory reports.

PAG - Performance Audit Group, had responsibility for carrying out performance audits across the public sector. In 2013 BVSI and PAG merged to form PABV group.

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

QMT - Quality Monitoring Team, part of Audited Services Group responsible for carrying out internal hot and cold reviews of ASG audit work.

SCPA - Scottish Commission for Public Audit, a Parliamentary body which is responsible for scrutinising Audit Scotland's budget, annual report and accounts and for appointing an external auditor.

SOLACE - the Society of Local Authority Chief Executives and Senior Managers, tasked with developing a comparative benchmarking framework for Scottish local government.

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, Education Scotland, The Care Inspectorate, The Scottish Housing Regulator and the appointed auditors, leading to the preparation of an assurance and improvement plan (AIP).

TSU - Technical Services Unit, part of Audit Strategy Group, responsible for providing authoritative guidance and practical assistance to external auditors appointed by the Accounts Commission and Auditor General to support them in carrying out their responsibilities under the Code of Audit Practice. TSU's support enhances auditor judgement in technical matters and thereby improves the quality of the audit delivered.

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

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