



Dear participants,

On the final day of the conference, during Workshop 4, the National Audit Office would like to introduce the value for money standards with which we work. The ten standards are set out below with a brief introduction.

We would like to use the NAO standards as a means of generating a group discussion about which standards may be appropriate to ensure quality in performance audit. We will use this group discussion to summarise the key things to take forward in Quality Assurance in performance audit which we will feed back to all participants in the final workshop conclusion discussion.

During the workshop we will ask participants in small groups to discuss the value for money standards and feed back to the group on the following aspects

- Do the NAO value for money standards cover the right aspects of performance audit?
- Are there areas that aren't covered which participants feel ought to be included?
- Which of the NAO standards do participants already apply within their own SAI?
- Which standards do participants feel would be good to apply, and how might they apply them within their own SAI?
- What standards do participants have within their SAI?

Please could you read the information below prior to attending the workshop and think about how you would answer the questions above. We hope that providing the information in advance will allow participants to be familiar with the standards in order that we can have a lively discussion during the workshop and learn lessons from one another.

Thank you kindly and we look forward to seeing you in Prague.



NATIONAL AUDIT OFFICE

VALUE FOR MONEY STANDARDS

What is a 'standard' ?

- Along with the independent standing of the Comptroller and Auditor General, our professional standards are essential to the reputation of the NAO. A 'standard' in its simplest form is an agreed, repeatable way of doing something. It is a statement that contains a specification or criteria designed to be used consistently as a rule, guideline or definition. Standards help to make life simpler and to increase the reliability and the effectiveness of what we do. They are a summary of good and best practice, rather than just general practice. Standards also allow us to measure our performance.

Why standards for VFM work ?

- We have a strong reputation for producing high quality Value for Money reports. Our reports and other VFM work are generally trusted, and seen as objective, rigorous and based on sound evidence. Despite this, we do not work to a common set of standards across the office, unlike our financial audit colleagues. We have, for some time, had quality thresholds and detailed guidance about practices and processes. And we also follow good practice in the use of audit and research methods. But we do not have a single document which sets out in one place the overall standards to which we should all adhere.
- As a result:
 - it is not always easy to explain to external observers the standards to which we work;
 - it is harder for us to make judgements about whether, and in what ways, certain pieces of work fall short of expectations; and
 - it can difficult to explain to new staff what values are at the heart of our VFM work.
- Having VFM Standards allows us to consolidate and build on all the thinking that currently feeds into our guidance and quality thresholds. The Standards are designed to liberate teams from the uncertainty and unnecessary divergence in what we do. Experienced staff are likely to be familiar with, and take for granted, some of the statements incorporated into the standards. But having the standards will be a platform for developing our VFM work further, for articulating what we already stand for, and for setting a clear vision for our work in the future.



Why now ?

- Our VFM work has never before been subject to such scrutiny - from the media, from external experts and from those who hold us to account in Parliament. It is therefore vital that we can explain how we work and the standards to which we adhere. Having standards now will help to underline the strength of our work and the soundness of the approaches we use.

What will standards add to our work ?

- There is a wide variety of practice across the NAO in how VFM work is undertaken. The adoption of standards is a mechanism for identifying what is good practice, sharing it across the office and, over time, updating the standards to reflect the best practice. Consequently, the standards define what to do as a minimum. Their overall purpose is to help raise the quality of our work and ensure consistency at a time when staff are moving more frequently between teams.
- By complying with the VFM standards, teams should be able to provide reasonable assurance that the evidence collected and analysed is sufficient and appropriate to support the findings, conclusions and recommendations in a report or other output.
- By defining standards, we are able to test our plans and the final product against these standards and determine whether they have been met. This is important for internal management purposes and for reporting externally to our stakeholders such as PAC and TPAC. Although the wording of the Standards refers in a number of places to VFM studies and reports, the same set of principles should apply to all types of work that come under the VFM discipline, including good governance and enhanced impact projects, and correspondence.
- In producing the Standards, we have drawn heavily from material already in existence. This includes internal NAO guidance, INTOSAI performance audit standards and the work of other audit offices such as the Government Accountability Office in the United States.

How will the Standards be upheld ?

- Teams are likely to be adhering to many of the Standards already, but we need to have ways of ensuring that they are universally followed across the office. In planning their work, teams will be expected to meet the relevant standards, and adherence will be considered as part of the discussion in internal challenge meetings. Directors and AAGs will also assess adherence to the standards as part of the review processes in place for considering draft reports. And our external reviewers will also take them into account when they carry out their reviews.



- In addition, we are introducing a 'cold review' process - essentially an audit of adherence to the standards. This will be a detailed review of VFM audit practice and supporting documentation.



Standards

Standard 1: Quality assurance

1.1 Teams should adhere to relevant internal and external quality standards set for VFM work and to wider UK and international standards on quality control for audit. Directors should ensure compliance with these expectations by all staff and create a culture of professionalism, rigour and openness to challenge, through regular progress meetings and feedback.

1.2 Directors should review study proposals and draft reports, ensuring that all proposals, audit assertions, conclusions and recommendations are supported by robust evidence, and that appropriate consideration has been given to suggestions from internal and external reviews.

1.3 Teams should be created that are suitably skilled to undertake the work or have access to the skills required, where not available in-house. Assignment of individual staff members to tasks should take account of knowledge, skills, experience and developmental needs.

Standard 2: Study selection and engagement

2.1 Client and practice areas should propose studies after careful analysis of the field and consultation with relevant internal and external stakeholders, and after taking account of the corporate selection criteria. Proposals should fit within the broad thrust of the relevant client or practice strategy.

Standard 3: Study design

3.1 Each study must have a clear definition of what is inside and outside the study scope. The key overall question and issues should be clearly articulated within the body of the study planning documents.

3.2 Methods proposed should have a clear relationship to the study questions, be feasible in their implementation and add value to the overall analysis. The proposals should explain how the methods will be implemented and outline any limitations on their use or likely effectiveness.

3.3 An assessment of the potential impacts arising from the study should be set out, and there should be a clear link drawn between audit questions, methods, recommendations and potential impacts.

3.4 The study design must be robust and take account of the wider environment in which the subject of examination operates. The risks inherent in the design should be clearly set out, as should the anticipated balance between in-house and external resources.



Standard 4: Evidence reliability and documentation

4.1 Reliable and independent evidence must be gathered using the most appropriate methods in ways which accord with best practice. Data should be assessed for their robustness in terms of validity, relevance and reliability, especially where they are generated by third parties.

4.2 Teams must maintain audit trails which can be easily followed, and hold documentary evidence securely to support their findings and conclusions. Evidence should be stored in Keystone in accordance with the Keystone instructions and file structure. Evidence of appropriate review should be maintained.

Standard 5: Objective analysis

5.1 The analysis undertaken must be rigorous and objective, using appropriate methods and sound evaluative criteria. Evidence sources should be triangulated and conclusions drawn from the evidence on the basis of considered and balanced judgement. In pulling together their conclusions, teams should regularly test them against the evidence base.

5.2 Recommendations must be clearly based on evidence and findings obtained, and should add value to existing knowledge and expertise rather than restate known positions or advocate actions already in hand.

Standard 6: Balanced and persuasive reporting

6.1 The final report must be balanced, independent and authoritative. It should summarise the main findings of our work. Our audit approach must be spelt out clearly.

6.2 Our reports must be succinctly written, with only the necessary detail included to allow the reader to understand the context, follow the argument and see how the evidence has been gathered and conclusions drawn.

6.3 Reports should include a clear statement concluding whether VFM has been achieved or is likely to be, or why this is not possible, together with an indication of any actions needed to achieve better VFM.

Standard 7: Project management and monitoring

7.1 Studies must be based on a sound understanding of the necessary skills and resources, with a realistic budget and timetable to which teams will be held accountable. The risks to non-delivery should be clearly identified and addressed.

7.2 Appropriate attention must be paid to data protection and security requirements, in line with legislation and extant policy circulars, including how the data will be transferred, stored and subsequently destroyed.



7.3 Teams must maintain accurate records of the progress of their study to time and budget and report key data to management for monitoring and accountability purposes.

Standard 8: Client engagement

8.1 In conducting their work teams must consult with clients, and keep them informed of emerging findings and conclusions. Every effort should be made to secure client agreement to a timetable through to publication.

Standard 9: Report delivery

9.1 Reports must be produced to meet agreed deadlines which enable the C&AG to report on the given subject in a timely manner.

9.2 Our clients and relevant third parties should have the opportunity to comment on the facts and their presentation as we finalise our report, although in doing so we should not compromise the independent judgement of the C&AG nor cause delays to publication.

9.3 The final report should meet design standards and be produced in a style which allows our messages to be communicated and understood easily.

Standard 10: Follow-up

10.1 Lessons learnt from the conduct of the study must be captured and disseminated promptly.

10.2 Teams should follow up the impact of their work in a systematic manner and check progress on implementation of recommendations.