



Northern Ireland
Assembly

Research and Information Service Briefing Note

Paper 000/00

1st December 2020

NIAR-357-2020

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Standards of Public Audit Governance

1 Public Governance Audit: International Standards

At a meeting of the Audit Committee on 25th November 2020 a request for further information was made following a presentation by RalSe on the governance of public auditors. The Committee sought further information on whether any international standards create expectations on how the governance of public audit is addressed.

The standards included below cover a range of related issues and standards. UK wide guidance was identified, and private sector guidance has also been included. For the sake of completeness, financial reporting standards and other guidance which was cited in the Annual Report of the NAO, Audit Wales or Audit Scotland has also been included.

1.1 National Audit Office¹

The National Audit Office Transparency Report for 2019/20 took note of changes made to the *Orange Book*² which makes recommendations on risk management. In preparing

¹ National Audit Office, *Annual Report 2019-20*, [nao-annual-report-accounts-2019-20.pdf](#)

² <https://www.gov.uk/government/publications/orange-book>

accounts for the NAO, the C&AG states he conforms to adopted the Government Financial Reporting Manual (FReM) issued by HM Treasury.³ Its Financial Statements are thus prepared in accordance with International Financial Reporting Standards (IFRS) as adopted and interpreted by FReM.⁴ Neither the Transparency Report nor the Annual Report makes explicit reference to a specific code or standard which deals with governance.

1.2 Audit Wales

Audit Wales identified in its Annual Report⁵ that:

On a voluntary basis, the Wales Audit Office assesses its arrangements against the requirements of the Code of Good Practice for Corporate Governance in central government departments. The Board is satisfied that it complies with those requirements insofar as they are relevant and practical given the need to preserve the Auditor General's independence. The arrangements do not comply with the Code's requirements in respect of the following aspects:

- (a) the Wales Audit Office is not a ministerial department, nor does it report to, or receive instructions from, ministers or their officials;
- (b) the role and responsibilities of the Board and its membership are set in statute; and
- (c) the Board has not established a nominations committee, but the functions described in the Code are undertaken by the Board and the Remuneration and HR Committee.⁶

Audit Wales, like the other UK Audit offices, complies with the Financial Reporting Manual.

1.3 Audit Scotland

The Annual Report of Audit Scotland⁷ notes that its accounts are prepared in accordance with International Financial Reporting Standards (IFRSs) as interpreted and adapted by the 2019/20 Government Financial Reporting Manual (the 2019/20 FReM).

The Annual Report of Audit Scotland into the quality of public audit⁸ states that, through the office's own requirements, auditors are expected to comply with certain standards when conducting audits:

³ As above, fn 1, Annual Report 2020 Statement of Accounting Officer's responsibilities (pg 70)

⁴ [Government Financial Reporting Manual: 2019-20 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/438222/Government-Financial-Reporting-Manual-2019-20.pdf) (last accessed 30/11/2020)

⁵ [Annual Report and Accounts 2019-20 | Audit Wales](https://www.walesauditoffice.gov.uk/annual-report-and-accounts-2019-20) last accessed 30th November 2020

⁶ Annual Report Audit Wales 2019-20 para 139

⁷ [Annual report 2019/20 | Audit Scotland \(audit-scotland.gov.uk\)](https://www.audit-scotland.gov.uk/annual-report-2019-20)

⁸ [Quality of public audit in Scotland annual report 2019/20 | Audit Scotland \(audit-scotland.gov.uk\)](https://www.audit-scotland.gov.uk/quality-of-public-audit-in-scotland-annual-report-2019-20)

...require auditors to comply with the highest professional standards, including International Standards on Auditing (UK) (ISAs (UK)) and the Financial Reporting Council's Ethical Standard.⁹

The Transparency Report¹⁰ and other accounts mentioned above did not identify whether the office follows the Corporate Governance Code, as is the case with Audit Wales.

2 Government / Regulatory Standards for Governance Structures

The UK Government has published guidance in relation to the governance and conduct of public bodies and boards. Examples of these are collected below.

- [Guidance for non-departmental public bodies;](#)
- [Code of Conduct for Board Members of Public Bodies;](#)
- [Corporate Governance Code for Central Government Departments.](#)

The Financial Reporting Council has issued [Guidance on Board Effectiveness](#) in July 2018.

3 International Standards

There are international standards and guidance for the governance of different organisations.

- [ISO Standard for the Governance of Organisations](#)
- [BSI standard](#)

The Chartered Governance Institute¹¹ is the qualifying and membership body for governance professionals. It provides “professional development, guidance and thought leadership for individuals and their employers”¹² but these could not be said to be binding.¹³

4 INTOSAI¹⁴

The International Organisation of Supreme Audit Institutions (INTOSAI) is an NGO for the external government audit community. INTOSAI has special consultative status with the Economic and Social Council (ECOSOC) of the United Nations and focuses on “fostering and promoting the essential prerequisites for independent and efficient SAIs”.

⁹ As above, fn 8, pg 7.

¹⁰ Audit Scotland, Transparency Report 2019/20 [Transparency report 2019 | Audit Scotland \(audit-scotland.gov.uk\)](#) last accessed 30th November 2020.

¹¹ Formerly The Institute for Chartered Secretaries and Administrators (until 2019).

¹² [About Us \(icsa.org.uk\)](#) (last accessed 30th November 2020)

¹³ Available at <https://www.icsa.org.uk/knowledge> (last accessed 30th November 2020).

¹⁴ [Home - INTOSAI](#)

INTOSAI has published a number of documents, standards and guidance. These deal with issues like the independence of the Auditor General's role, ethics, quality control and the fundamental principles of public audit. It has also published principles of transparency and accountability.

5 Summary

Guidance on governance and oversight structures is widely available from a variety of organisations, both national and international.