



N I A O

Northern Ireland Audit Office

**VALUE
FOR MONEY
STANDARDS**

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Introduction

NIAO Value for Money (VFM) work plays an important role in helping the Assembly hold government to account, as well as improving the quality of our public services. Our work also attracts significant media interest and can generate financial impacts.

We need to ensure that our reports continue to meet the expectations of our various stakeholders and remain a powerful force for beneficial change in government.

This handbook builds on the expertise and skills within the NIAO to bring together up-to-date advice and guidance about how we can ensure the continued quality of our reports. It establishes the key standards that support effective delivery of the VFM programme, from identifying initial ideas for a study, through planning, evidence gathering and evaluation to reporting our findings (other pre-existing guidance stipulates our arrangements for the clearance process, publication, engagement with the Assembly and for follow-up of our reports). It is intended to help us in our mission to provide objective information, advice and assurance on the use of public funds and encourage:

- beneficial change in the provision of public services;
- the highest standards in financial management and reporting; and
- good governance and propriety in the conduct of public business.

What is a value for money study?

Good value for money can be defined as the optimal use of resources to achieve the intended outcomes. A VFM study focuses on a specific area of government expenditure, and seeks to make a

judgement on how well government has managed its resources and delivered services.

NIAO seeks to promote better value for money by highlighting and demonstrating to audited bodies ways in which they could make improvements to realise financial savings or reduce costs; guard against the risk of fraud, irregularity and impropriety; provide a better quality of service; strengthen and enhance their management, administrative and organisational processes; and achieve their aims and objectives more cost effectively.

The VFM cycle



VFM Standards

Study proposals should be based on a careful analysis of the field and consultation with relevant stakeholders. Proposals should be consistent with current study selection criteria and with NIAO strategic priorities.

Study plans must provide a clear definition of the study scope and should identify clearly the key overall question and issues to be addressed.

Proposed methodologies should be linked clearly to the study questions and be feasible. Plans should explain how audit methods are to be implemented and recognise any limitations to their use or effectiveness.

Audit teams should be suitably skilled and experienced, or have access to those skills and experience necessary, to undertake planned work.

Study plans should identify realistic budgets and timetables, including explicit milestones, against which teams can be held accountable.

Auditors should obtain sufficient and appropriate audit evidence to be able to draw reasonable conclusions.

Audit working papers should always be complete, detailed sufficiently and referenced to enable an experienced auditor with no previous connection with the audit assignment to ascertain exactly what work was performed, the basis of the decisions taken and to reach the same conclusions.

The analysis of audit evidence must be rigorous and objective, using appropriate methods and sound evaluation criteria on which the auditor develops conclusions.

Recommendations must be based clearly on the evidence.

A report must be balanced, independent and authoritative. It should summarise the main findings of our work and our audit approach must be detailed clearly.

Only necessary detail should be included to allow the reader to understand the context, follow the argument and see how the evidence has been gathered and conclusions drawn.

1: Study selection

Study proposals should be based on a careful analysis of the field and consultation with relevant stakeholders. Proposals should be consistent with current study selection criteria and with NIAO strategic priorities.

Sometimes the Public Accounts Committee (PAC) will ask the Comptroller and Auditor General (C&AG) to examine a particular topic. However, most NIAO VFM studies deal with subjects that we have identified ourselves. The NIAO's approach to selecting VFM topics involves branches making proposals to the C&AG based on their understanding of the departments they have responsibility for. Areas where suitable topics might be found are:

- significant changes in policies, resource allocations or management processes;
- new programmes or projects;
- new targets;
- areas with apparent poor performance, waste or impropriety; and
- areas not previously subject to audit scrutiny.

Our studies should promote accountability; encourage improvements in the standard of public services; reinforce the proper conduct of public business; and deliver financial impacts.

There are a number of issues which we should consider when we are identifying and evaluating study proposals.

Value of public expenditure

The level of resources committed to a study should be in proportion to the value of public expenditure at risk. Where amounts of spend are small, a

study should only be considered if there is some other important factor involved such as high public interest; high levels of customer service complaints; fraud, irregularity or other impropriety; or risks which are relevant to other public sector bodies.

Financial impacts

VFM studies impact in a variety of beneficial ways promoting accountability and improving service delivery. However, direct cost savings or other quantifiable financial impacts provide a tangible measure of the benefits of our work, and it is important that our programme of studies ensures that financial impacts continue to be delivered. A focus on significant examples of waste, inefficiency or uneconomic arrangements to deliver public services can also contribute to achieving our objectives in this regard.

Topicality

Our reports should be of interest to the Assembly, but also to our other stakeholders, including the media and the general public. We should monitor Assembly Questions and the work of the relevant Departmental Committees to gauge Assembly interest. We should also be aware of media coverage and the broader political context of the work in the department. It is important that the Office retains the flexibility to respond quickly to emerging issues. Timing will be particularly important for some subjects, but others will continue to be topical regardless of when the report is produced.

Balanced scorecard

In developing a programme of work which balances these considerations, the Office aims to include studies across each of the areas shown

below. Proposals submitted should indicate which of the quadrants is the prime focus of the proposed study and which, if any, is a secondary feature.

Balanced scorecard	
Improved public services <ul style="list-style-type: none"> • Improved performance in delivery of public services; • Provides an authoritative assessment of performance; • Highlights good practice; • Covers changes in service delivery models; • Considers cross-cutting issues. 	Efficiency <ul style="list-style-type: none"> • Uses and analyses financial data; • Potential to achieve direct cost savings or other financial impact; • Contributes to the efficiency agenda; • Identifies examples of waste, inefficiency and uneconomic activity; • Makes greater use of comparative analysis of performance, including international comparisons.
Coverage, value and risk <p>Takes into account:</p> <ul style="list-style-type: none"> • resources over which departments have an influence (level of expenditure, asset base, value of PFI/PPP); • main risks to VFM in relation to their businesses; • reliability of controls and implementation of programmes including number of agencies involved; • balance of coverage across Accounting Officers. 	Public interest <p>Topics that:</p> <ul style="list-style-type: none"> • address significant issues of governance, propriety and the proper conduct of public business; • respond to urgent issues brought to the Office's attention by Members of the Assembly; • examine key government initiatives; • consider areas of media interest; • focus on issues of interest emerging from stakeholders, think tank reports, Assembly Questions etc.

Identifying study ideas

Study proposals must be based on a careful analysis of the audit subject. It is the responsibility of branches to maintain an understanding of the whole of a department's operations and identify areas where value for money might be at risk. As part of this process each branch should maintain up to date information about its audited bodies' activities and periodically conduct more detailed evaluations of significant areas which show potential as future study topics.

General survey

The more you know about your client department, the better chance you have of selecting a good VFM study. Branches should maintain a good overview of the department's business through the process we know as general survey. Branches should, in conjunction with our colleagues in the Financial Audit division, maintain a database of basic information which will be updated on a routine basis, but should be reviewed formally at least every three years. Typical information that should be held on survey files includes:

- What are the department's main functions?
- What are the main pieces of legislation under which the department discharges its functions?
- What are the main policy instruments?
- How is the department organised to deliver its functions and who is responsible for what (this should always include details of agencies and NDPBs)?
- What are the significant cross cutting issues that require a coordinated approach with other public bodies?

- What key changes have there been in the last few years and are any major new initiatives planned?
- How much is spent on each function and what income, if any, is received?
- How is performance measured and what targets are set?
- Who are the main customers/benefit recipients?
- What previous VFM studies have been done by both NIAO and other audit institutions?
- Is there PAC/Assembly/media interest in this area?

The process of answering these questions will begin with an analysis of key departmental documents and background information from a wide range of sources including:

Departments	Assembly and NIAO
<ul style="list-style-type: none"> • High level documents such as the corporate strategy, annual reports and business plans; • Resource data; • Performance results compared with targets; • Accounts; • Web page. 	<ul style="list-style-type: none"> • Previous NIAO reports (incl. Reports to those charged with Governance); • PAC reports and evidence; • Memoranda of Response; • PAC database recommendations; • Programme for Government; • Material from Financial Audit; • Hansard and Assembly questions; • Departmental Committee reports.
Other audit and inspection bodies	External stakeholders
<ul style="list-style-type: none"> • Internal audit reports; • Work by NAO, Audit Scotland, Wales Audit Office or Audit Commission; • Reports from inspectorates and other regulators; • Reports by other Supreme Audit Organisations. 	<ul style="list-style-type: none"> • Media reports; • Academic papers; • Publications from professional bodies; • Outputs from think tanks, representative groups and voluntary organisations.

Engaging stakeholders

Having examined background documentary sources, it is important that we meet those people with an interest in the department's activities. Meetings with stakeholders can help get beneath the surface and start to identify the key issues which could form the basis of a study proposal. The main groups of key stakeholders are:

Departmental staff: meeting with key departmental officials at an early stage will provide an opportunity to test our assumptions and understanding of the issues. It also helps establish good working relationships which will be beneficial for the successful delivery of our report and recommendations.

Customers: consumer and other representative bodies can provide valuable insights and highlight problems. Representative bodies would include organisations such as the Consumer Council, Citizens Advice Bureau, charities, pressure groups etc.

Experts: professionals and academics can provide detail of latest research and future developments.

The C&AG and senior management also engage with PAC and other Assembly members in developing the annual programme of studies.

Liaison with Financial Audit

Our colleagues in Financial Audit provide a valuable source of information regarding departmental activities. It is important that we are aware of what issues are affecting their work by attending audit planning meetings, reviewing management letters and discussing regularly issues which may present risks to value for money.

Marking

The output from the general survey should be the compilation of a forward programme of *marking* work to be carried out over the next two to three years. General survey work should identify a number of specific issues for a more detailed review with a view to making recommendations for study proposals. The marking exercise will provide the evidence for the director to make the decision to submit a study proposal to the C&AG for consideration.

A good marking exercise will include the following components:

- the identification of the context of the topic area to be audited, through review of corporate/strategic documents e.g. where the activity fits within the overall organisation's activities and those of wider government; main activities/constituent parts; expenditure; targets and reported performance against targets;
- a literature/research review of any published material on the topic area (both government or academic) and identification of media or Assembly interest, and may include the identification of relevant experts in the field who would be useful as a reference partner(s);
- a review of recent audit activity in the topic area e.g. past NIAO/NAO (or other audit agencies) reports in the area, internal audit reports or reports by other regulatory/investigatory bodies, identifying the focus, main issues addressed and methodologies applied. Any potential for collaborative work with other agencies, for example inspectorates, should be identified clearly. Potential conflicts with the work of other agencies should also be noted;
- discussions with the department/body in relation to roles and responsibilities, performance and any problem/issues identified etc;
- discussions with identified key stakeholder organisations on their views on the topic area and the audited body's activities, including discussion with/advice from relevant experts in the field (together with consideration of the need for a reference partner);

- identification of potential risks to VFM; and
- identification of potential risks to C&AG's reputation.

The outcome of marking should be a brief outline explaining, in concise terms, why the subject area is important, why we believe there are likely to be value for money concerns and what potential impacts a study could have (one to three paragraphs).

The study proposal

Study proposals build on the outline produced by the marking exercise. They should be put forward in sufficient detail to allow the C&AG to understand the topic suggested, with reference made to any previous or related work. The main elements of a study proposal are:

Background: an outline of the business area including the level of spend and why it is important;

Issues: why the study has been proposed and what aspects of VFM are to be considered;

Scope: what are the limitations on the coverage of the business area; and

Impacts: what added value we would bring including the potential for financial impacts.

In some cases, it may be appropriate to provide the C&AG with options as to how to take the study forward, for example, varying the scope of the proposed study to focus on particular aspects and/or to accommodate specific demands on resources or delivery timescales. In such a case, the options identified should be distinct and

presented clearly for the C&AG's decision. It is appropriate for the study proposal to recommend a particular option.

Study proposals are submitted to the C&AG as part of the strategic planning process which should be completed in January of each calendar year. At this time the C&AG will decide what studies are to be taken forward.

2: Planning

Study plans must provide a clear definition of the study scope and should identify clearly the key overall question and issues to be addressed.

Proposed methodologies should be linked clearly to the study questions and be feasible. Plans should explain how audit methods are to be implemented and recognise any limitations to their use or effectiveness.

Audit teams should be suitably skilled and experienced, or have access to those skills and experience necessary, to undertake planned work.

Study plans should identify realistic budgets and timetables, including explicit milestones, against which teams can be held accountable.

Proper planning is crucial. Auditors need to know what they want to achieve and how they are going to achieve it. To do this, it is necessary to work out:

WHAT: use issue analysis or a similar method to define your key issues;

HOW: a methodology, broken down into manageable chunks and tasks;

WHEN: work out the critical path and set a realistic timetable;

WHO: identify the staff resource required and any need for expert assistance from external consultants; and

COST.

Auditors should note that planning work should always be commensurate with the anticipated size/scope of the planned study. When developing the **Study plan**, it is essential to engage with the audited body to ensure its co-operation, support and buy-in to facilitate the delivery of the study according to our audit

plan. *Early engagement with the audited body is essential to our VFM approach.*

The key components of a study plan are:

- the study scope – the main issues and sub-issues to be addressed;
- the methodology to be applied – the main approaches to evidence gathering, the sources of evidence, an identification of how the evidence will be analysed, including consideration of any limitations/risks associated with the methodology applied;
- the estimated cost of staff, other resources and timescale;
- an identification of the anticipated findings of the study, together with the anticipated impacts (and the means by which these will be identified and measured where financial impact is expected) and any other anticipated outputs (e.g. good practice guides etc.); and
- a consideration of significant risks to delivery and plans for risk management.



The study plan should include a detailed issue analysis of the subject under review, linking the issues to be addressed, the evidence required and their respective sources, and the individual tasks to be undertaken. This can be used to identify staff and other requirements, and to produce a more detailed estimate of costs and build up the timetable for the evidence gathering stage of the report to include key milestones. An example study plan is shown at Appendix 1. The study plan will be presented to C&AG for consideration and formal approval. *This is an essential step in the quality assurance process*¹.

¹ Further details of our quality assurance process are shown in Appendix 6.

3: Evidence, analysis and documentation

Auditors should obtain sufficient and appropriate audit evidence to be able to draw reasonable conclusions.

Audit working papers should always be complete, detailed sufficiently and referenced to enable an experienced auditor with no previous connection with the audit assignment to ascertain exactly what work was performed, the basis of the decisions taken and to reach the same conclusions.

The analysis of audit evidence must be rigorous and objective, using appropriate methods and sound evaluation criteria on which the auditor develops conclusions.

Recommendations must be based clearly on the evidence.

The auditor should collect audit evidence which will enable sound judgements to be made and support any conclusions and recommendations in the final audit report.

VFM auditing can be described as an iterative decision-making process. The auditor gathers information, evaluates it for its appropriateness, and determines if it is sufficient to support conclusions and recommendations. The evidence-gathering process involves the following steps:

1. designing audit procedures or tests;
2. gathering audit evidence/carrying out testing;
3. analysing evidence and drawing conclusions;
4. making the decision if additional information is required and can be obtained (loop back to step 1) or if sufficient evidence exists.

It is therefore crucial that the fieldwork stage of any VFM study is well planned and should only commence once the study plan has been agreed and signed off by the C&AG.

The key issues identified in the study plan are the basis of our audit work. Evidence that addresses each of the key issues should be identified, obtained and evaluated. Appendix 2, **Planning audit evidence** provides a template for planning our approach to evidence gathering.

Audit evidence

Audit evidence is *all* information collected and used to support audit findings. The conclusions and recommendations in the audit report will stand or fall on the basis of such evidence. Consequently VFM auditors must carefully consider the nature and amount of evidence required as the gathering of evidence to support a conclusion is fundamental to the audit process.

Auditors should obtain *sufficient and appropriate* audit evidence to be able to draw reasonable conclusions on which to base their report. In other words, *competent, relevant and reasonable* evidence should be obtained to support the auditor's judgement and conclusions regarding the organisation, program, activity or function under audit.

Sufficiency is the *quantitative* aspect of evidence – how much evidence does the auditor need? Appropriateness relates to the *qualitative* aspects of evidence, in particular the *relevance* and *reliability* of the audit evidence. Evidence is *competent* (valid and reasonable) if it actually represents what it purports to represent.

Sources and types of audit evidence

Evidence may be categorised as physical, documentary, testimonial or analytical. A direct inspection or observation of people, property, or events obtains physical evidence. Documentary evidence consists of information such as letters, contracts, accounting records, databases, policy statements and legislation, invoices and management information on performance. Testimonial evidence is obtained through interviews or questionnaires. Analytical evidence includes computations, comparisons, separation of information into components, and rational arguments. Evidence may be gathered from several sources including:

- *Information gathered by the auditor (primary evidence).* Auditors can gather information themselves using interviews, surveys and direct inspection or observation. In these cases the auditors have control over the methods employed and the quality of the information gathered. However, the auditors must have the necessary skills and expertise to apply the methods competently.
- *Information gathered by the audited body (secondary evidence).* Auditors can use information gathered by the audited body, including the reports of internal audit and post project evaluation, as well as information found in the audited body's files, databases, reports and documents. Auditors should

determine the quality of this information by evaluation and corroboration, as well as by tests of effectiveness of the audited body's internal controls over the quality of information. Such tests of information quality may be reduced if internal controls are deemed effective.

- *Information gathered by third parties (secondary evidence).* Audit evidence can also include information gathered by third parties. In some cases others may have audited information, or the auditors may be able to validate the information themselves. In some cases, third party evidence cannot be audited, but its quality is known due to its source. The extent to which third party evidence can be used will depend on the extent to which its quality can be established.

Techniques for obtaining audit evidence

Auditors need to be creative, flexible and careful in their search for audit evidence. Possible evidence gathering techniques include:

Examination of papers: Documentary evidence in physical or electronic form is the most common form of audit evidence.

Interviews: Interviews and enquiries with staff in the audited body and related organisations are the main means of collecting testimonial evidence. All performance studies use some form of interviewing to collect information and establish facts. To be successful interviews need to be structured and questions prepared in advance.

Observation: One of the best ways of following and understanding what is actually going on is by direct observation of activities.

Surveys: Conducting a survey is a useful method of collecting new or standardised information, both quantitative and qualitative, from a number of respondents in an audit area.

Benchmarking: The aim of benchmarking is to determine, through comparisons with other organisations or departments or good practice elsewhere, whether there is scope for better performance.

Case studies: Case studies refer to the in-depth examination of a representative selection of events, transactions or items in order to understand and measure a program or activity as a whole.

Focus groups: A focus group is a selection of people, often stakeholders or customers of an entity, brought together to discuss specific topics or issues.

The auditor needs to make sure there is an appropriate range of evidential sources that will provide a sound basis for conclusions and recommendations. To confirm this, the auditor should complete the **Methodologies and evidence** template to be signed off by the study director (see Appendix 3).

Fieldwork activity and findings should be recorded on the **Individual record of testing and evidence** form (see Appendix 4) which can be referenced to the key issues in the study plan. This will give the auditor assurance that the audit evidence is complete and all issues have been addressed.

Objective analysis

The analysis of evidence is an important step to ensure a robust and evidence based VFM report. This should involve an objective evaluation of the findings against the audit issues to form judgements and develop conclusions. The analysis of audit

evidence must be rigorous and objective, using appropriate methods and sound evaluation criteria.

The easiest way to evaluate findings is to populate the **Issues and findings summary** (an example is shown at Appendix 5) throughout the course of the fieldwork, grouping evidence gathered against the key audit issues identified at the planning stage. As this document is completed, the auditor can assess whether the evidence gathered to date adequately addresses the key issues in terms of appropriateness and sufficiency. It will also highlight any gaps that may exist. In effect, it provides a skeleton of the report to be drafted.

At this stage the auditor may decide that additional information is required to ensure that any resulting observations and conclusions are significant, fair and well-founded and that recommendations have the potential to result in improvements in performance, accountability or value for money.

Once all issues within the Issues and findings summary have been addressed the auditor must start to form judgements based on all the available evidence.

Drawing conclusions and recommendations

Evidence sources should, where possible, be triangulated and conclusions drawn from the evidence on the basis of considered and balanced judgement. Triangulation of evidence involves forming findings and conclusions which are supported by evidence from more than one source (triangulation means three pieces of evidence which support the same conclusion).

Conclusions should be evidence-based, objective, rational and related to the criteria identified at the outset of the study. The auditor develops conclusions, reaches final opinion and produces recommendations.

Audits should include recommendations to address the most serious deficiencies reported. Recommendations must be based clearly 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.

Recommendations will not be required for every audit finding.

Recommendations should be:

- related to audit issues;
- fully supported by audit evidence and conclusions;
- related to the underlying causes of any deficiency;
- clear, succinct, straightforward and sufficiently detailed to make sense alone;
- broadly stated;
- action-orientated;
- positive in tone and context;
- practical;
- cost-effective;
- results-orientated;
- able to be followed up; and
- coherent and consistent with other recommendations in the report.

Audit documentation

The quality of audit documentation is almost as important as the quality of the audit evidence that is documented. Proper documentation is vital to clarify what is being done and why. Audit work must be documented at all stages of the audit so that any reviewer can follow the logical flow from audit planning through to fieldwork and final report.

Minimum re-performance standards for documentation require that audit working papers should always be sufficiently complete and detailed to enable an experienced auditor, with no previous connection with the audit assignment, subsequently to ascertain exactly what work was performed, the basis of the decisions taken and come to the same conclusions. Working papers should document the planning as well as serve as the link between fieldwork and the final report.

Adequate documentation is important for several reasons. It:

- confirms and supports the auditors' opinions and reports;
- increases the efficiency and effectiveness of audit;
- provides a source of information for preparing reports or answering any queries;
- provides evidence of the auditors' compliance with auditing standards;
- facilitates planning and supervision;
- aids auditor's professional development;

- helps to ensure delegated work has been satisfactorily performed; and
- provides evidence of work done for future reference.

However, documentation should not be overly time-consuming and bureaucratic for the sake of it, rather proper collation and cross referencing throughout the planning and fieldwork stages should be cost-effective, saving time and effort at drafting and clearance stages. Therefore auditors need to exercise professional judgement in documenting evidence.

The Audit Manager has primary responsibility for quality assurance of the evidence, documentation and analysis stage of the study. The Issues and findings summary should be signed off by the Audit Manager and be subject to independent review within the Office before the report is produced. *This is a key element of the quality assurance process.*

The Freedom of Information Act increases the importance of adequate documentation and referencing. Consideration should always be given to the fact that documents relating to VFM studies are public records and may be subject to scrutiny by external organisations or individuals. The Act also requires a quick response to queries, and a poorly documented audit trail can significantly delay this response which could ultimately lead to complaints to the Information Commissioner.

4: Reporting

A report must be balanced, independent and authoritative. It should summarise the main findings of our work and our audit approach must be detailed clearly.

Only necessary detail should be included to allow the reader to understand the context, follow the argument and see how the evidence has been gathered and conclusions drawn.

The results of our VFM investigations will usually be communicated through published reports. Good drafting skills are therefore an essential part of the skill-set of all staff working on VFM studies. Producing a good draft report involves not only writing clear prose, but also structuring the report in a way which helps the reader's understanding. It is not just about words; using tables, diagrams and graphics to get the message across is also essential.

Good drafting can persuade the audited body of the validity of the evidence, conclusions and recommendations associated with each of the issues in the report. It achieves the best return for the evidence gathered and analysed by articulating the results of that work without complication or overstatement. A good draft will set out clearly what has been found, reflecting the strength, depth and nature of the evidence. It will be able to attract and engage the neutral reader.

Good quality VFM reports

A VFM report should have the following structure:

- A contents page;
- An executive summary which includes a VFM statement, scope and objectives, main findings and recommendations (normally two to three pages);
- The main body of the report, written in (usually three to four) parts;

- A methodology appendix and list of data sources; and
- Some or all of: a key facts page; other appendices; a bibliography; list of abbreviations and a glossary.

A good VFM report should include:

- Conclusions and recommendations that flow logically from the findings;
- A logical structure, so that the reader is guided easily through the content;
- Assertive headings within parts that signpost the reader;
- Plain english that the general reader can follow; and
- Figures, tables and diagrams that are high-impact, easy to interpret, and bring the subject alive for the reader.

Reports are more likely to meet PAC requirements if they:

- are about 20 pages long (as printed), which equates to about 9,000 words and around five pages of graphics; and
- have a small number of key appendices, included only where necessary to understand the flow of the report or present information likely to be relevant to the PAC's deliberations.

The structure of well drafted reports

Before drafting

A skeleton report/story board with no more than three to five key messages can be an early iteration. The Issues and findings summary produced from fieldwork and analysis will provide a sound basis to plan the report.

Structure and content

The main body of the report will be made up of a number of parts (usually three to four) each with their own internal logic – length, scope, timeframe, ending of one part and beginning of the next. The introduction chapter should be significantly shorter in length than the main substantive chapters.

Introduction

The introduction should provide contextual information about the programme or project under review and the responsible department or public body. There should also be reference to the relevant delivery objectives. It will also provide a clear synopsis of the audit approach adopted including objectives, context and scope of the work as well as the reasons for undertaking the study.

It is important to include a high level financial analysis at this early stage.

Checklist for reporting Financial Analysis

- The cost of the programme/project;
- The source of funding/income;
- The main cost components and drivers;
- Trends in expenditure/income;
- Evidence of variances in expenditure/income against budget;
- Delivery against high level performance targets including outputs and efficiencies; and

- Benchmarking of costs/performance against similar services.

Headings

Headings should signpost the reader, but should not simply provide a narrative summary of the report: the NIAO uses assertive headings which should be short, evaluative in nature and have a logical relationship to preceding and subsequent headings. The tone and content of passages within the report should be consistent with the assertive heading. Each major area should be structured to include the issue, evidence, conclusion and recommendation with a clear disclosure of the sources of evidence and data.

Content

Auditors should strive to use plain English and short sentences with a maximum length of 20 words. Using active verbs and one idea per sentence will help the reader to understand the topic. However, there will be occasions when it is necessary to include detail that is technical, lengthy or disrupts the report's flow. This should be managed using footnotes, a glossary, or an appendix as appropriate. Appendices are only appropriate as an addition to the report, not an additional report.

The narrative of a report can be enhanced by quantitative and qualitative data in the form of tables, graphs, charts or case studies. The choice of presentation method depends on several factors, but it will be determined by the type of data and the messages to be conveyed. The following rules should be observed if possible:

Checklist for graphics

- Remember to include a succinct table or graph heading which summarises the period or scope of the information being presented;

- Ensure that it is numbered in sequence;
- The presentation should be logical or natural, for example either by value, time sequence or administrative/geographic entity;
- Always attribute the source(s) of information in a table or graph immediately under it;
- Tables, graphs or any other form of non-narrative presentation should always be placed on the same or facing page as the accompanying text;
- Keep non-narrative information simple. If there is a lot of information in illustrations, consider placing them in an Appendix or split it into a second illustration;
- Colour is also useful in differentiating information, particularly in graphs or charts.

A case study can also be an effective way of presenting qualitative findings in a VFM report. It can provide a high level summary, a representative example of a typical scenario or highlight an extreme case which strengthens or supports conclusions in the report.

Conclusions

In seeking to make the strongest possible conclusions, the auditor should consider:

Checklist for conclusions

- Be clear;
 - Be specific;
 - Be substantive. Avoid generalisations and ensure that they reflect all the relevant points in the draft report, giving due weight to the key points;
 - Achieve impact by grouping conclusions from the same area of examination;
 - Achieve impact by also considering the quality and not just the overall number of conclusions;
- Avoid conclusions which make the same point. Consolidate into one conclusion;
 - Conclusions in their entirety must be supported by the content of the report; and
 - Where a conclusion is quantitative and qualitative, a distinction needs to be made between the two strands.

Recommendations

Conclusions reflect the work of the auditor; recommendations highlight the actions that the audited body must take to achieve improvement. All recommendations must be linked to a conclusion, but not all conclusions require or generate a recommendation.

Recommendations should be strategic and should address the significant risks to the audited body if deficiencies are not corrected. The rules for drafting conclusions as outlined earlier, also apply to drafting recommendations. Ideally recommendations:

- **Can be followed up:** the recommendations are fully supported by and flow from the associated evidence and conclusions. They are also aimed at correcting the underlying causes of deficiency. They identify the area of the organisation with responsibility to act on them;
- **Are clear:** they should be succinct and straightforward, with enough detail in an individual recommendation to make sense on its own. They should also be constructive in tone and content, not reiterating criticism already expressed in conclusions. They can state what needs to be done while leaving the specifics of how to the audited body. It is vital that they do not duplicate or contradict other recommendations;

- **Are action oriented:** recommendations should be presented in the active voice. They have to be practical, able to be implemented in a reasonable timeframe, without being frustrated by legal and other constraints. The costs of implementing them should not outweigh the benefits and not create disproportionate bureaucracy. They should be measurable; there should be a quantifiable or qualitative benchmark which enables action to be measured. They should be consistent and coherent with the other recommendations in the report. Experienced reviewers need to ensure that recommendations do not contradict recommendations arising from previous reports.

Executive summary

The executive summary may be the only part of the report read by the majority of readers. For this reason, it should be capable of being a separate stand alone document if required. It should provide sufficient detail to enable the reader to understand how the conclusions and recommendations were reached. The key characteristics of a well written executive summary are:

- concise: normally two to three pages;
- readable: use short sentences and avoid abbreviations and acronyms; and
- well structured: it should follow the main report structure after a couple of opening paragraphs, with typically the first identifying the subject and scope of the review and the second listing the evaluation questions.

An independent person should always review the executive summary to ensure that it is an accurate reflection of the main report and does not include new information.

Quality assurance

Quality assurance should be built in to our VFM process from the earliest stages. Once a draft report has been completed, at least two stages of quality assurance will already have taken place: at the planning stage and at the completion of the evidence and evaluation stage.

There are a number of advantages to completing quality assurance at this stage also:

- the introduction of independent knowledge and challenge;
- corporate assurance that drafting standards are being complied with;
- the opportunity to reaffirm the strategic focus of the study; and
- the development of staff drafting skills.

Quality assurance at the reporting stage has two elements – the Audit Manager review and the corporate review.

The Audit Manager review should focus on getting the draft ready for the corporate review which will be undertaken prior to the issue of provisional audit findings to the relevant body. The key issues for consideration are those outlined earlier in this section in the checklist, *Good quality VFM reports*.

The corporate review of reports is completed by a panel chaired by the C&AG, likely to include the VFM Directorate and the Financial Audit director responsible for the audited body. This may be supplemented by a quality reviewer who does not have a detailed knowledge of the area or has not been directly involved in the study, but acts as a



neutral reader whom the report has to attract and engage.

It is important that the corporate review considers the draft report at a stage as close to final as is possible, but before it is subject to clearance with the audited body. The draft should be complete, that is including all the elements that will be published (executive summary, appendices, etc.).

Appendix 1

Warm Homes Scheme

VFM study plan

Introduction

1. Fuel poverty is the inability to heat a home to an acceptable level for reasons of cost. A household is in fuel poverty if, in order to maintain an acceptable level of temperature throughout the home, the occupants would have to spend more than 10% of their income on all household fuel use.¹
2. The DSD is committed to ending fuel poverty in Northern Ireland. The document 'Ending fuel poverty: a strategy for Northern Ireland', published in 2004, established targets of eliminating fuel poverty in vulnerable households and in the social rented sector by 2010, and in non-vulnerable households by 2016.
3. The Warm Homes Scheme (WHS) is sponsored by the DSD. It is the key element in addressing fuel poverty amongst vulnerable owner occupiers and private rented households. Established in July 2001, the scheme's budget has grown steadily, from £5m in 2001/02 to £22.1m in 2007/08. A total of £79 million was spent on the scheme by 31 March 2007: £70 million from the DSD and £9 million from Northern Ireland Electricity.
4. This study considers the value for money being delivered by the Warm Homes Scheme.

Background

5. Fuel poverty is, principally, a function of three distinct features:
 - low household incomes;
 - high energy prices, and;
 - inefficient home heating and insulation.
6. Northern Ireland has the highest rate of fuel poverty in the UK. The 2001 Northern Ireland House Condition Survey (NIHCS) estimated that 33% of all households fit the definition of 'fuel poor'. This estimate was significantly higher than equivalent estimates for Scotland (17%) and England (9%). While the 2004 interim NIHCS estimated that fuel poverty had reduced, affecting 24% of households, it is widely expected that the 2006 NIHCS will show an increase in fuel poverty due to the world-wide increases in the cost of energy in this period. The results of the 2006 NIHCS are likely to be published in October 2007.
7. The effects are hard to quantify in definitive terms, but are undoubtedly severe. It is estimated that more than 1,000 older people die due to the cold every year. Illnesses such as 'flu, heart disease and strokes are more prevalent and their effects worsened. It also impacts upon the quality of life of those affected, with reports of increased stress, isolation and loneliness. The DSD estimates that ill health associated with cold weather costs the NHS around £40 million a year.²

1 Ending fuel poverty: a strategy for Northern Ireland (2004)
 2 Statement by Minister for Social Development, 29 May 2007

8. The Warm Homes Scheme provides grants to vulnerable householders for the costs of home insulation measures, such as cavity wall and loft insulation. In addition, grants are available under the banner of Warm Homes Plus to vulnerable householders over 60 for the installation of new heating systems. The current maximum grants are for £850 (Warm Homes) and £4,300 (Warm Homes Plus).
9. The 2001 NIHCS identified 89% of the fuel poor as 'vulnerable'. The DSD has defined 'vulnerable' householders as being amongst three main groups: those with children and in receipt of specific benefits; the disabled receiving specific benefits; and the over 60s receiving specific benefits. Any of these groups living outside the social rented housing sector are eligible to receive WHS grants.
10. The WHS is funded and overseen by the DSD. Management of the scheme is delegated to a contractor which is responsible for administration, marketing and managing the delivery of energy efficiency measures to households by sub-contractors. The Northern Ireland Housing Executive (NIHE) performs some key client functions, making payments to the contractor and quality assuring the work carried out in homes.

Aims and objectives

11. This study will evaluate the contribution made by the WHS towards the strategic objective set out in 'Ending fuel poverty: a strategy for Northern Ireland' of eliminating fuel poverty amongst vulnerable households by 2010.
12. In particular, it will consider whether the WHS's performance is managed to maximise its contribution to the strategic objective of eliminating fuel poverty, addressing these key questions:
 - do WHS grants reach the vulnerable fuel poor?
 - do grants provide significant home heating and insulation measures?
 - is the contract managed effectively to deliver the best outcomes for the fuel poor and the taxpayer?

Risks to VFM

NIAO marking exercise

13. A marking exercise reported in March 2005. It highlighted the following issues.

Performance management

- The scheme has limited performance measurement. The DSD receives information on the numbers of households assisted by month and year to date, to measure against an annual target (8250 households in 2004/05). Key performance indicators, such as the number of households removed from fuel poverty and the improvement in energy efficiency per household, have not been established. The DSD relies on the NIHCS, covering all households in Northern Ireland, as the measure of progress. Consequently, the contribution of the WHS towards the strategic target is not being measured directly.
- The DSD's management information is simplistic. Performance statistics focus on the number of homes treated, broken down between those receiving insulation measures

and heating systems. More sophisticated information, such as the relative costs and energy efficiency of different measures, is not collected.

Grant awards

- An estimated 40% of grants do not reach the vulnerable fuel poor. The specified 'passport' benefits include non-means tested benefits which are not effective at targeting grant aid to the vulnerable fuel poor. There are no arrangements to prevent the non-fuel poor in receipt of passport benefits from receiving grant aid.
- Fuel poor households not receiving benefits are excluded from the WHS. An estimated 89% of the fuel poor are vulnerable, but there are no arrangements to identify and assist any who, through lack of awareness or a reluctance to claim, are not receiving the benefits due to them. The 11% of the fuel poor who are not classed as vulnerable are outside the WHS' scope, but will have to be assisted in some way if the strategic objective is to be achieved.
- There are no formal processes to identify, target and fast-track those in 'extreme fuel poverty'³ or severe ill health.

Effectiveness

- Some 25% of measures are carried out in households that are already energy efficient. Such measures, for example supplying energy efficient light bulbs or draught proofing, have little impact on household energy efficiency and do not relieve fuel poverty.
- Conversely, the WHS does not permit some households to receive the measures most suitable to improve energy efficiency and help

to relieve them from fuel poverty. For example, central heating is only available to the over 60's.

- The scheme has not found a solution for 'hard to treat' homes, such as those in isolated rural areas or those with solid walls.

Contract management

- The DSD has not ensured that the contractor delivers the contract to the agreed quality standards. Quality assurance monitoring by the NIHE showed that only 29% of heating installations in 2003/04 met the required standards. 70% of insulation jobs met the standard. A long standing dispute over the technical specification between the contractor and the NIHE has still not been resolved.
- Similarly, the contractor has not met the contract timescales. Only 8% of insulation jobs were delivered within 40 days in the first quarter of 2003/04. 44% of heating installations were carried out within 90 days.
- No penalties have been imposed upon the contractor.
- There are no apparent mechanisms to control costs. The average cost of heating installations has risen from £2826 in 2001/02 to £3960 in 2004/05. The DSD appears to bear all the risks of increasing costs, without any methodology for managing price increases.
- Although the contract provides for profit sharing between the contractor and the DSD, no monitoring arrangements have been established to allow the DSD to identify the profits earned by the contractor and thus invoke the profit sharing clause.

3 'Extreme fuel poverty' is where 20% of household income is spent on energy

- Despite these failings, the contract was extended in June 2004. The DSD did not evaluate the scheme before taking this decision.

NAO report

14. The NAO reported on a similar scheme in England in 2003. The report 'Warm Front: Helping to Combat Fuel Poverty' identified a number of issues and recommendations which are relevant to the Northern Ireland experience.
- *Targets for the scheme.* These should be framed around the average improvement in energy efficiency in assisted households, as well as the number of households. Reporting should only include homes where a real reduction in energy costs has been achieved.
 - *Impact of Warm Front.* The Department has only limited data about the impact of the scheme on fuel costs. The Department should research whether Warm Front has assisted households out of fuel poverty.
 - *Eligibility and coverage.* Passport benefits do not focus help on those most likely to be in fuel poverty. The Department should consider concentrating eligibility on those with low incomes, demonstrated by the receipt of means tested benefits.
 - *Maximising energy efficiency improvements.* The Department should consider targeting its resources on eligible homes with low energy efficiency ratings where the most cost effective improvements can be made.
15. The report went to the Westminster PAC in October 2003. The Committee's findings were:
- a problem exists with matching the eligibility criteria and the fuel poor;
 - some of the heating and insulation measures available may be insufficient to move households out of fuel poverty. Furthermore, some of the scheme rules prohibit the best value for money treatments for the home;
 - only 14% of grants reach the least energy efficient homes, and there is limited targeting of those most in need;
 - there are few practical options for 'hard to treat' homes;
 - impact is not sufficiently well-measured, either in terms of moving households out of fuel poverty or the improvement in energy efficiency resulting from measures.

Political and media interest

16. Fuel poverty remains a subject of considerable political and media attention. The Assembly debated the subject in May 2007, and again in September 2007. A key concern for MLAs was the perceived threats to the achievement of the strategic targets in the Northern Ireland fuel poverty strategy posed by rising energy costs and limited resources for anti-poverty programmes, including Warm Homes.
17. Fuel poverty is a regular feature in the news and current affairs outputs of the BBC and

UTV. It has featured in stories in the Belfast Telegraph and local newspapers, including references to the Warm Homes Scheme.

Scope

18. The study focuses on three organisations:

- the DSD, the sponsors of the WHS;
- the NIHE, performing key client management functions for the contract, and;
- the scheme managers under the contract.

Methodology

19. The study will use a combination of quantitative and qualitative methods, including:

- interviews with staff of the DSD, NIHE, the contractor;
- discussions with the Northern Ireland Fuel Poverty Advisory Group (NIFPAG) and other stakeholders;
- document reviews, including the fuel poverty strategy, the Warm Homes contract and contract specification, quality assurance monitoring reports, customer satisfaction surveys, case files and other reports on fuel poverty and Warm Homes (for example, by National Energy Action);
- financial analysis, including budgeted and actual spends from 2001/02 to the current year; average costs per measure; and comparative costs from NIHE;

- performance analysis, including applications (accepted and rejected, fuel poor and non-fuel poor, urban and rural), average improvements in energy efficiency (by household and by measure), average savings (by household and by measure).

20. We will also undertake an assessment of sub-contract tendering and payment processes in relation to WHS.

21. An issues and investigations matrix is provided at Annex 1.

Impact

22. We anticipate the following impacts from a full study:

- the development of performance management in the DSD;
- an improvement in the proportion of WHS grants awarded to the fuel poor;
- greater improvement in the overall energy efficiency of households receiving WHS grants, leading to financial savings;
- improved contract management in the DSD;
- an improved contract specification to deliver higher quality installations in households;
- greater competition in sub-contracting, leading to financial savings.

Resources

23. A first draft report will be ready for the Audit Manager by the end of January 2008 at a cost of £69,000. **The deadline and associated costs are dependent upon the availability of staff (2 senior auditors and an assistant auditor) to undertake the assignment during the period November 2007 to January 2008.**

Table 1 Costs to 1st draft report

	Director	Audit Manager	Senior Auditor	Asst. Auditor	TOTALS
Planning	12 hrs £1,188	35 hrs £2,730	67 hrs £3,886	-	114 hrs £7,804
Fieldwork	10 hrs £990	29 hrs £2,262	444 hrs £25,752	67 hrs £2,010	550 hrs £31,014
1st Draft	50 hrs £4,950	100 hrs £7,800	215 hrs £12,470	29 hrs £870	394 hrs £26,090
TOTALS	72 hrs £7,128	164 hrs £12,792	726 hrs £42,108	96 hrs £2,880	1058 hrs £64,908

24. We expect clearance to add an estimated 20% to these costs (£13,000).
25. We also anticipate the use of an energy efficiency expert (£3,500 + VAT) to provide:
- an assessment of WHS specifications; and
 - a reference partner.
-

Annex 1 - Issues and investigations

Issue	Investigations				Recommendations
	Interviews	Documents	Financial analysis	Performance analysis	
Performance management • PM arrangements for WHS are not developed • Management information is very limited • Will resources deliver the strategic objective?	DSD	Fuel poverty strategy	WHS annual budgets vs. actual to date	Existing targets and progress to date	Identify and monitor KPIs
	Contractor Stakeholders	Documented PM arrangements (compare to best practice) NIHCS 2006	Ave. £ costs per energy efficiency measure	Energy efficiency per measure Identify potential KPIs	
Grant awards • awards made to non-fuel poor • fuel poor not on passport benefits • lower take-up amongst rural fuel poor? • targeting of extreme fuel poverty and serious ill health?	DSD	WHS policy background to criteria	Ave. grant per household (£)	% of awards to non-fuel poor	Deny WHS to the non-fuel poor Widen WHS eligibility criteria to include all fuel poor Introduce targets for rural fuel poor and extreme fuel poor Introduce fast tracking of extreme fuel poor and severely ill
	Contractor Stakeholders	2006 IDG report, Tackling fuel poverty (includes other schemes to reach those not on passport benefits) Case files	Urban vs. rural spend (if possible) Vulnerable vs. non-vulnerable household spend	% of rejected fuel poor applicants % of applications/rejections amongst rural fuel poor % of applications/rejections in extreme fuel poverty or ill health?	

Annex 1 - Issues and investigations

Issue	Investigations					Recommendations
	Interviews	Documents	Financial analysis	Performance analysis		
Efficiency <ul style="list-style-type: none"> • some measures have minimal impact • effective measures are not permitted for some applicants • suitable treatments for the 'hard to treat'? 	DSD Contractor Stakeholders NIHE Energy Efficiency expert	NIHCS 2006 Comparisons to GB schemes Promotion of the scheme UK fuel poverty monitor (June '07) NEA Micro-generation annual review (May '07)	Contractor's payment process Ave. £ cost of treatments by SAP band Ave. £ savings per energy efficiency measure Ave. £ savings by SAP band (1-120)	% installations by SAP rating % of treatments in energy efficient homes (SAP>60) Energy efficiency, pre and post treatment, by household (SAP rating)	Include proven emerging technologies in WHS for hard to treat homes Applications should be considered for the Cost/Benefits of the measures, specific to house SAP and level of fuel poverty	
Contract management <ul style="list-style-type: none"> • poor results of QA (quality & timeliness) • lack of formal cost control mechanisms/ high costs of subcontractors • no profit sharing • contract extensions • preparations for new contract (2008) 	NIHE DSD Contractor Stakeholders Energy Efficiency expert	QA monitoring reports (NIHE and Contractor) Contract and contract specifications Client satisfaction surveys Tender and award of sub-contracts 2008 contract documentation	Ave. £ costs of WHS installations vs. ave. costs of other NIHE scheme installations Financial penalties? Tender amounts and job allocation	% of QA passed installations (year on year) <ul style="list-style-type: none"> • by area • by contractor % of QA passed installations in other NIHE schemes Contractor's management of sub-contractors' performance	Establish arrangements to enforce profit sharing and QA clauses in new 2008 contract Quality targets to be enhanced and agreed	

Appendix 2

Planning audit evidence

Follow-up on PAC Recommendations for Use of Consultants [INSERT Report Title]						
Key Issue	Sub issue	Evidence requirements	Related tasks	Resource allocation	Expected completion date	Signed off (as completion)
1. Are departments complying with DFP guidance on use of consultants	1.1 Are departments preparing more robust business	Identify the proportion of consultants contracts where robust business cases have been prepared and compare with previous report figures.	Analyse annual compliance reports produced by DFP Test sample contracts (100) from 2007-2009. Extrapolate results	Senior auditor [INSERT named team member]	30 June 2010	
Fieldwork complete: no further evidence required			Audit Manager		Date	
	1.2 Has DFP devised a strategy to address the skills gap which is currently filled through the procurement of external consultancy?	Is there a strategy (obtain a copy) Does the strategy address the skills gap	Strategy document Interview head of CAL to determine effectiveness of strategy – evidence of impact of strategy.	Senior Auditor [INSERT named team member]	16 May 2010	
Fieldwork complete: no further evidence required			Audit Manager		Date	

Appendix 3

Methodologies and evidence

Follow-up on PAC Recommendations for Use of Consultants [INSERT Report Title]			
Interviews/discussions	Documents	Statistics	
Core Department <i>Primary evidence</i>	Good practice guidance (OGC, HMT, DFP) <i>Secondary evidence</i>	Departmental information/statistics <i>Secondary evidence</i>	
Stakeholders/consultation <i>Primary evidence</i>	Strategy Documents <i>Secondary evidence</i>	Internal Audit Reports <i>Secondary evidence</i>	
Service Users <i>Primary evidence</i>	Specific DAOs <i>Secondary evidence</i>	Annual Reports <i>Secondary evidence</i>	
Other Departments <i>Primary evidence</i>	NAO Reports <i>Secondary evidence</i>	Corporate Reports <i>Secondary evidence</i>	
Case Studies (NIAO) <i>Primary evidence</i>	Previous NIAO Reports <i>Primary evidence</i>	NIAO Survey <i>Primary evidence</i>	
Case Studies (Audited body) <i>Secondary evidence</i>	Previous PAC Reports <i>Secondary evidence</i>	Benchmarks with GB <i>Secondary evidence</i>	
Focus Groups (NIAO lead) <i>Primary evidence</i>	Strategy Reviews <i>Secondary evidence</i>	NISRA <i>Secondary evidence</i>	
Observation <i>Primary evidence</i>		Testing <i>Primary evidence</i>	

Appendix 4

Individual record of testing and evidence

Follow-up on PAC Recommendations for Use of Consultants [INSERT Report Title]	
Chapter 1: Departments are complying with DFP Guidance on the use of consultants [INSERT Main Heading]	
Issues	Fieldwork & Findings
<p>Issue 2</p> <p>Are projects being competitively tendered?</p>	<p>[IN THIS SECTION DETAIL FIELDWORK UNDERTAKEN / METHODOLOGY eg. INTERVIEWS, REVIEWS, SAMPLING, OTHER TESTING]</p> <p>A total of X contracts were selected from the 11 Departmental Consultancy Returns in proportion to the consultancy spend by each of the Departments for financial years 2006/07, 2007/08 and 2008/09.</p> <p>Contracts were randomly selected from each of the Departments using xxxxx xxxxx methods. All competitive tendering documentation relating to each contract was reviewed and assessed at WP 1</p> <p>[IN THIS SECTION DETAIL AUDIT EVIDENCE]</p> <p>Note findings as bullet points, e.g.</p> <ul style="list-style-type: none"> • Y of the X contracts (41%) sampled were not awarded by competitive tender • the compliance level has increased for 'X' in 2005 to 'Y' in trend in 'X' – • the reasons for changes in performance trend data explained e.g. change in methodology, other reason, <p>Note: dates, ensure comparative data are consistent and comparable, Consider relevant context issues: e.g. level of investment, operating in different financial regime, regulations etc. Conflicting views - interest, evidence</p>
	<p>Evidence Source</p> <p>[IN THIS SECTION FILE REFERENCE of SDs, WPs etc]</p> <p>SD 1 – Departmental Consultancy Returns 2006/07 to 2008/09</p> <p>SD 2 – NIAO Working paper</p> <p>SD 3 – Minutes (15/09/2010)</p> <p>SD 4 – Query sheet (returned 12/08/2010)</p>
<p>CONCLUSION and RECOMMENDATIONS [IN THIS SECTION DETAIL CONCLUSION AND ANY RECOMMENDATIONS]</p> <p>Quality Assurance – is evidence sufficient, reliable and relevant?</p>	

Individual record of testing and evidence

Issues	Fieldwork & Findings	Evidence Source
<p>Issue 3</p> <p><i>Is there good project management?</i></p>	<p>[IN THIS SECTION DETAIL FIELDWORK UNDERTAKEN / METHODOLOGY eg. INTERVIEWS, REVIEWS, SAMPLING, OTHER TESTING]</p>	<p>[IN THIS SECTION FILE REFERENCE of SDs, WPs etc]</p>
<p>CONCLUSION and RECOMMENDATIONS:</p>		

Appendix 5

Issues and findings summary

Report: Follow-up on PAC Recommendations for Use of Consultants

Issues	Summary of Findings	Reference	Conclusions	Recommendations
<p>1. Are departments complying with DFP guidance on the use of consultants?</p> <p>[INSERT MAIN ISSUE FROM PLANNING AUDIT EVIDENCE DOCUMENT]</p>			<p>Departments are complying with DFP guidance on the use of consultants</p> <p>[INSERT CONCLUSION IN ASSERTION FORMAT]</p>	
<p>1.1 Are departments preparing more robust business cases?</p> <p>[INSERT SUB ISSUE]</p>	<ul style="list-style-type: none"> - 74% of contracts over £x sampled did not have a formal business case completed. <p>[INSERT SUMMARISED FINDINGS FROM RELEVANT RT FORM]</p>	<p>RT1</p> <p>[INSERT RT FORM REF]</p>	<p>A formal business case is not completed for all contracts over £x.</p> <p>[INSERT CONCLUSION IN ASSERTION FORMAT]</p>	<p>NIAO recommend...</p> <p>[INSERT RECOMMENDATION IF APPLICABLE]</p>
<p>1.2 Are projects being competitively tendered?</p> <p>[INSERT SUB ISSUE]</p>	<ul style="list-style-type: none"> - 41% of contracts over £10,000 were awarded under single tender action. - In these 22 cases of Single Tender Appointment, 3 were highlighted as having inadequate justification in the business case. - Only 48% of consultancy projects with single tender action indicated that Accounting Officer approval had been sought on this choice of procurement in line with DFP Guidance. <p>[INSERT SUMMARISED FINDINGS FROM RELEVANT RT FORM]</p>	<p>RT2</p> <p>[INSERT RT FORM REF]</p>	<p>More contracts are being awarded by competitive tender.</p> <p>[INSERT CONCLUSION IN ASSERTION FORMAT]</p>	<p>NIAO recommend...</p> <p>[INSERT RECOMMENDATION IF APPLICABLE]</p>

Issues	Summary of Findings	Reference	Conclusions	Recommendations
<p>1.3 Is there good project management?</p> <p>[INSERT SUB ISSUE]</p>	<ul style="list-style-type: none"> - 45% of sample final payments exceeded the original contract. <p>[INSERT SUMMARISED FINDINGS FROM RELEVANT RT FORM]</p>	<p>RT3</p> <p>[INSERT RT FORM REF]</p>	<p>Project management has generally improved with fewer projects experiencing considerable cost overruns and extensions to the original contract.</p> <p>[INSERT CONCLUSION IN ASSERTION FORMAT]</p>	<p>NIAO recommend...</p> <p>[INSERT RECOMMENDATION IF APPLICABLE]</p>
<p>1.5 Are departments completing post project evaluations?</p> <p>[INSERT SUB ISSUE]</p>	<ul style="list-style-type: none"> - 93% of consultancy expenditure was paid without being subject to any documented assessment procedure to assess the benefits of the work, whether it met its objectives and whether there are lessons for future projects. <p>[INSERT SUMMARISED FINDINGS FROM RELEVANT RT FORM]</p>	<p>RT4</p> <p>[INSERT RT FORM REF]</p>	<p>More consultancy work is being evaluated by departments but many are still not complying with guidance.</p> <p>[INSERT CONCLUSION IN ASSERTION FORMAT]</p>	<p>NIAO recommend...</p> <p>[INSERT RECOMMENDATION IF APPLICABLE]</p>
<p>1.6 Are departments working together to exploit any collective purchasing power?</p> <p>[INSERT SUB ISSUE]</p>	<ul style="list-style-type: none"> - 3 consultancy projects were identified as being purchased jointly by departments. <p>[INSERT SUMMARISED FINDINGS FROM RELEVANT RT FORM]</p>	<p>RT5</p> <p>[INSERT RT FORM REF]</p>	<p>Although departments are making more use of framework agreements there is still scope to maximise value for money through greater use of collective purchasing.</p> <p>[INSERT CONCLUSION IN ASSERTION FORMAT]</p>	<p>NIAO recommend...</p> <p>[INSERT RECOMMENDATION IF APPLICABLE]</p>

Appendix 6

Quality Assurance

Stage	Timing	Purpose	Involvement
QA 1. Review of Study plan	When the Study plan has been completed, but before formal sign-off by C&AG	To challenge and seek assurance that, for example: <ul style="list-style-type: none"> • there is a clear rationale for the study; • the methodological approaches are appropriate and sufficient; • the study is scoped correctly; • the plan fits well with the Office's strategic priorities; • there is a clear understanding of the potential impacts of the study etc. 	At least 2 Directors and 1 AM independent of the audit team.
QA 2. Review of Issues and findings summary	When the Issues and findings summary has been prepared, but before the formal 1st draft report is written and submitted to C&AG	To test, for example: <ul style="list-style-type: none"> • the robustness of the evidence base; • the strength of our proposed conclusions; and • the merit and logic of any proposed recommendations. 	C&AG and at least 2 Directors and 1 AM independent of the audit team.
QA 3. Review of draft report	When the 1st draft report has been submitted to C&AG, but before issue to Accounting Officer	To undertake a largely editorial review on, for example: <ul style="list-style-type: none"> • grammar; • readability; • structure of report; • clarity and logic of conclusions and recommendations; • quality of executive summary 	C&AG and at least 2 Directors (who should not have been involved in QA 1 and QA 2)

Stage	Timing	Purpose	Involvement
NIAO Review panel	After report publication	Considers: <ul style="list-style-type: none"> • presentation and format; • choice of topic; • technical content and quality. 	Independent review panel
Peer review	After report publication	Considers: <ul style="list-style-type: none"> • presentation and format; • choice of topic; • technical content and quality. 	Independent peer review by NAO, Audit Scotland, WAO



Notes



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