



National Audit Office

## Audit approach

### International Standards on Auditing

Our audit of financial statements is carried out in accordance with International Standards on Auditing (UK & Ireland) issued by the [Auditing Practices Board \(APB\)](#).

Our staff are professionally qualified or are under training and, with a range of sector experience, we are able to provide multi-disciplinary skills.

Our audit teams can also call on in-house specialists including IT auditors and experts in particular sectors such as charities, pension schemes & companies.

Our approach to the audit of financial statements uses a range of techniques to obtain audit evidence and assurance and is based on a thorough understanding of the client's business.

This understanding allows us to develop an audit strategy which focuses on addressing specific risks whilst providing an acceptable level of assurance across the financial statements as a whole. We are able to tailor our work to meet the needs of, and risks faced by, individual clients and the approach will be designed to add value to the client.

Our understanding of the business, risk assessment and controls review processes provide the opportunity for positive and constructive feedback through sharing our analysis of risk, and the effectiveness of risk management and control systems. This enables the NAO to contribute towards improving financial reporting, financial management and corporate governance processes not only at entity level but across the public sector.

### Independence, objectivity and integrity

The NAO has strict procedures in place to ensure our independence, objectivity and integrity including an annual declaration by staff which identifies any potential conflicts of interest or other similar matters arising.

As recommended in the APB's [ISQC 1: Quality control for firms that perform audits and reviews of historical financial information, and other assurance and related services engagements \(pdf – 177KB\)](#), Directors are rotated to ensure independence from the client being audited. The NAO has adopted a policy of up to 5 years between rotations.

### Relationships with clients

We aim to maintain and build on the existing good relationships which we have with our audit clients.

We also provide clients with access to our [disclosure checklists](#) which enable them to ensure that their financial statements are disclosed in accordance with the FReM, Companies Act and other requirements.

### Quality

Quality is strongly embedded in the NAO culture and we have well established review procedures to ensure that audit work is undertaken efficiently and in accordance with International Standards on Auditing.

These procedures include internal peer reviews prior to certification of the account as well as an annual post certification review of a sample of audits and procedures.

Additionally the NAO's audit and firm wide procedures are reviewed annually by the Audit Quality Review team of the [Financial Reporting Council](#) (AIU). The first report of the AIU on the NAO is expected to be completed in May 2010.

Prior to AIU's review, an external review was undertaken by the Quality Assurance Directorate from the [Institute of Chartered Accountants in England and Wales](#) (ICAEW). Below are the executive summaries from the most recent reviews:

[Quality Assurance Review 2009 – Executive Summary \(pdf – 13KB\)](#)

[Quality Assurance Review 2008 – Executive Summary \(pdf – 13KB\)](#)