



National Audit Office

# Code of Audit Practice – NAO Update

February 2015

# Code of Audit Practice - Current Arrangements

- Audit Commission prepares Codes of Audit Practice for local government and local NHS bodies (except for foundation trusts) – Audit Commission Act 2008
- Monitor prepares the Code of Audit Practice for foundation trusts – NHS Act 2006

**A Code of Audit Practice sets out what auditors are required to do meet their responsibilities under relevant legislation**

# Code of Audit Practice - New Arrangements

- Comptroller & Auditor General (C&AG):
- Must prepare, keep under review & publish one or more Codes of Audit Practice; and
- May issue guidance to local auditors, which may explain or supplement the provisions of the Code(s)

(Local Audit & Accountability Act 2014)

# Public Consultation & Approval

- CA&G conducted public consultation on draft Code (Sep/Oct 2014)
- Consultation results published Jan 2014 (on NAO website)
- Code now laid in Parliament for approval ahead of 1 April 2015
- NAO Code to take effect for 2015/16 audits
- Monitor Code continues to apply to 2014/15 audits

# C&AG Overall Approach (1)

- Content driven by statutory requirement – i.e. Code must prescribe the way in which local auditors are to carry out their functions under the Local Audit & Accountability Act 2014

## C&AG Overall Approach (2)

- Code – high level, principles-based document (secondary legislation)
- Single Code – applicable to all audited bodies (including foundation trusts)
- Guidance to auditors – can address variation in approach between different types of body (e.g. auditors' work re value for money arrangements)
- Potential for conflict of interest

# Material in Monitor Code - to be addressed in C&AG's guidance to auditors

- review of the annual governance statement
- technical support
- public interest reporting
- independence requirements
- auditor engagement with C&AG (MoU)

# Material in Monitor Code – FT facing material

- appointment, experience and rotation of auditors
- provision of non-audit services
- quality report assurance arrangements

Responsibility resides with Monitor – addressed in separate ARC paper