

NAO update to FRAB on 2020-21 audit cycle

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Our goal

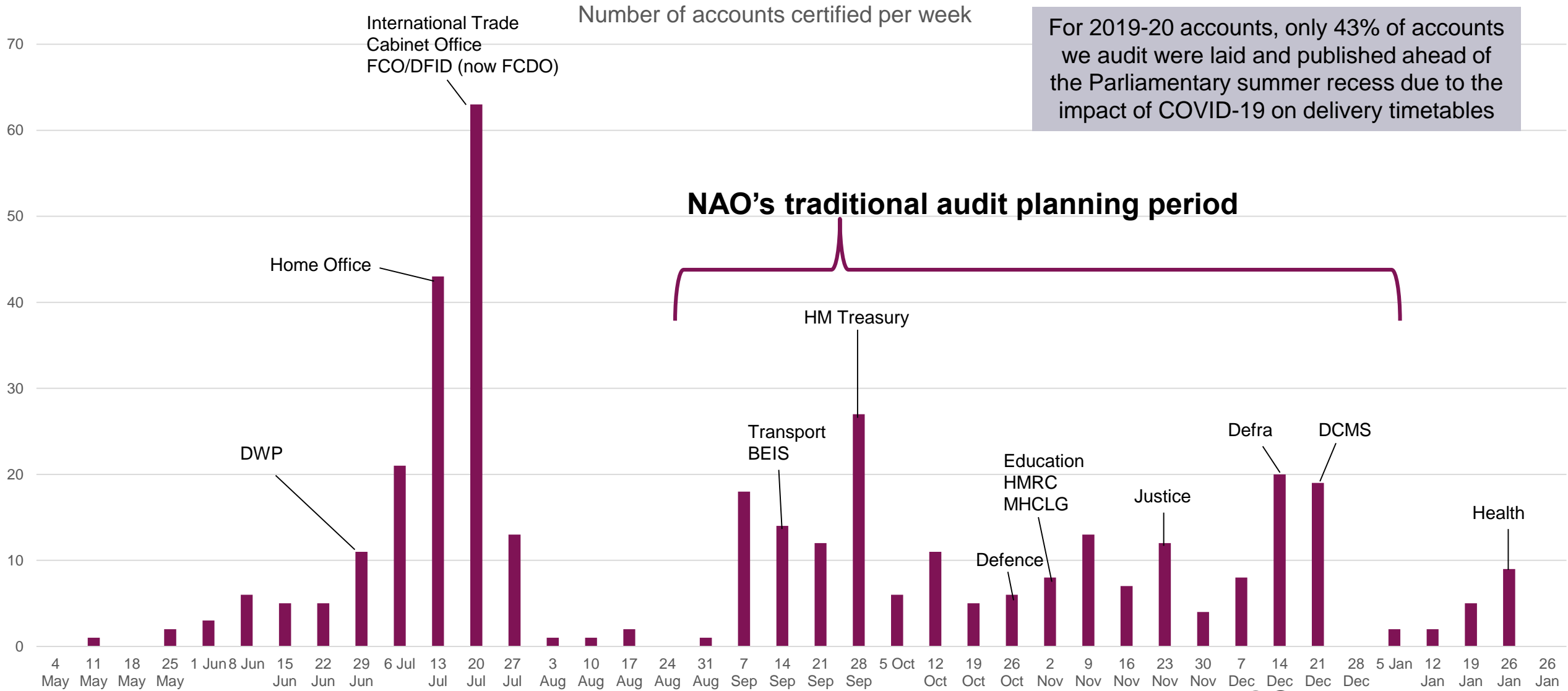
We deliver over 400 audits per year - traditionally, we between 75% and 80% of central government accounts are laid ahead of the Parliamentary summer recess

We want to get Departmental accounts back pre-recess as soon as possible – to support timely accountability/transparency and because of the operational benefits for our organisations

But there are a number of challenges:

- **New/enhanced risks** – 2020-21 is the first year of account where the full impact of COVID-19 on government organisations becomes clear
- **External dependencies** - such as reliance on local auditors for key assurances over pension schemes
- **Remote working/lockdown** – our organisations have responded well but there is an impact on overall capacity and potential productivity impacts
- **Knock-on impact of 2019-20 delays** - see next slide

When were the 2019-20 accounts certified?



Our plan – a phased approach

We have developed ambitious yet achievable plans with departments that take into account the differing levels of challenge for preparers and audits:

- **Phase 1** bodies – a realistic project plan in place to deliver the accounts (including a quality audit) pre-recess in 2020-21
- **Phase 2** bodies – pre-recess not achievable in 2020-21, but timetable advanced from prior year in order to aim for pre-recess in 2021-22
- **Phase 3** bodies – pre-recess not achievable in 2020-21 and *may* need more than two years to get back to pre-recess. *We will work with you to achieve this sooner if it is feasible*

It is crucial we achieve this goal given challenges associated with 2022-23:

- all Departments will be required to adopt IFRS 16 in their 2022-23 financial statements
- we will be auditing 2022-23 financial statements under ISA 315 (Revised 2019), which requires a more robust risk identification and assessment process,

Current planned publication dates for 2020-21 accounts

Phase 1: Accounts where the NAO and Department are confident realistic plans are in place to lay and publish ahead of the Parliamentary summer recess

Phase 2: Accounts where the NAO and Department are confident realistic plans are in place to lay and publish in early Autumn 2021

Phase 3: Accounts where NAO and the Department's realistic assessment of delivery suggests a later laying and publication slot will be needed



* denotes post-summer recess delivery in 2020

Key audit issues for 2020-21

Heavily influenced by COVID -19!

Financial reporting

- Recognition and measurement of new liabilities, commitments and guarantees (COVID and EU Exit)
- Accountabilities across organisational boundaries
- Going concern, when not under continued provision of service assumption

Regularity

- Measurement of fraud and error

Valuation

- Valuation of financial instruments including initial valuation in a public sector context and expected credit losses
- Asset valuations and uncertainty (e.g. property, pensions)

Audit

- New standards on auditing estimates and going concern
- Asset verification (includes inventories)