



National Audit Office

NAO progress update to FRAB

March 2022

2021-22 Audit Cycle and Progress

Covid-19 – Risks arising from the pandemic response will remain a key feature in 2021-22 including on-going valuation of COVID-19 support schemes, improved estimates of fraud and error audit, and addressing the impact of 2020-21 qualification on e.g. inventory holdings.

Ukraine Impacts – We are undertaking risk assessment procedures across our portfolio of audits to determine any impacts of the war in Ukraine and sanctions response, focussing on:

- increased valuation risk where investments are linked to Russia, including pension fund exposures; and
- Increased risk of sanction breaches giving risk to irregular transactions.

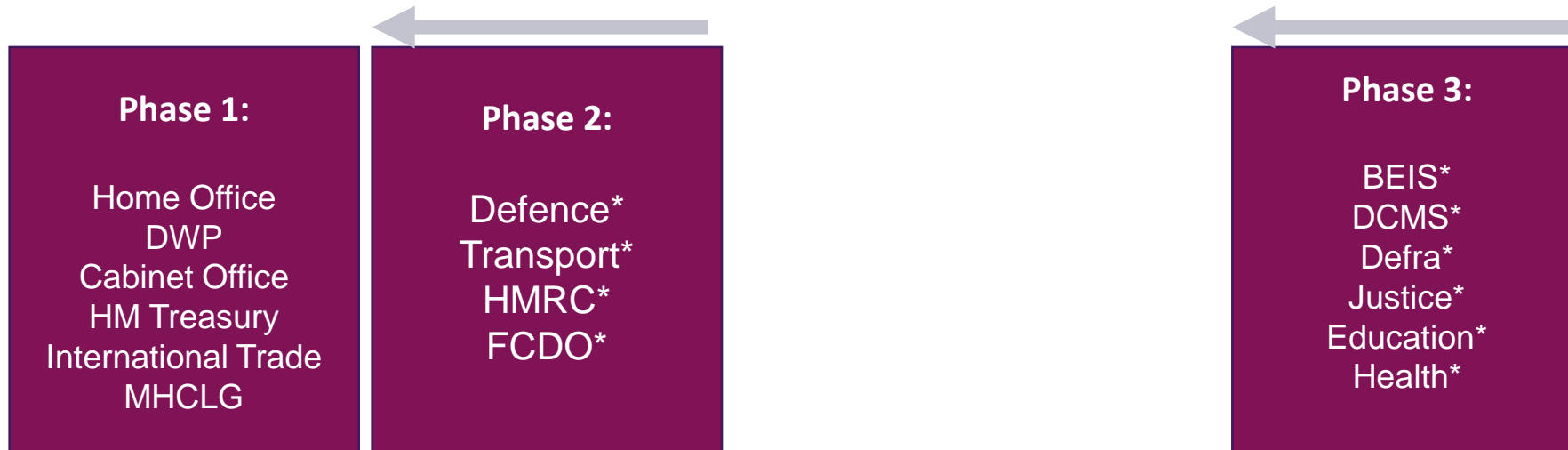
IFRS 16 – Departments continue to progress IFRS 16 implementation. The focus for 2021-22 will primarily be on good quality quantitative transition disclosures which provide a good indicator of progress towards full implementation in 2022-23.

Indicative plans for 2021-22 publications

Phase 1: Accounts that should maintain a timetable to allow for laying and publication ahead of the Parliamentary summer recess

Phase 2: Accounts where the NAO and Departments can work together to allow for laying and publication ahead of the Parliamentary summer recess – we would like all Departmental accounts to lay and publish pre-recess if possible

Phase 3: Accounts where the NAO and Department should be able to work together to allow for earlier laying and publication, but where pre-recess in this year may remain unachievable.



May 2022

June 2022

July 2022

August 2022

September 2022

October 2022

* denotes post-summer recess delivery in 2021

Future Focus

Getting back on track – We are committed to certifying more audits pre-recess in the 2022-23 audit cycle. We are aiming for 80% signed pre-summer recess. To support this each audit forecast to be certified post recess in 2021-22 has prepared a ‘Getting back on track’ plan on how to move to a pre-recess timetable.

For Departments unable to achieve pre-recess we are putting in place 2 year recovery plans.

ISA 315 – The new auditing standard ISA 315 ‘Identifying and Assessing the Risks of Material Misstatement’ is effective for the 2022-23 audit cycle and we will be implementing this as part of a refresh of our methodology which we are piloting in 2021-22. The new standard represents a significant change in auditing standards focussed on:

- Driving consistent and effective identification and assessment of risks of material misstatement
- Improving the standard's applicability to entities across a wide spectrum of circumstances and complexities ('scalability')
- Modernising ISA 315 to meet evolving business needs, including:
 - how auditors use automated tools and techniques, including data analytics to perform risk assessment audit procedures
 - how auditors understand the entity's use of information technology relevant to financial reporting
- Focussing auditors on exercising professional scepticism throughout the risk identification and assessment process.