

INSIGHT

NAO update to FRAB

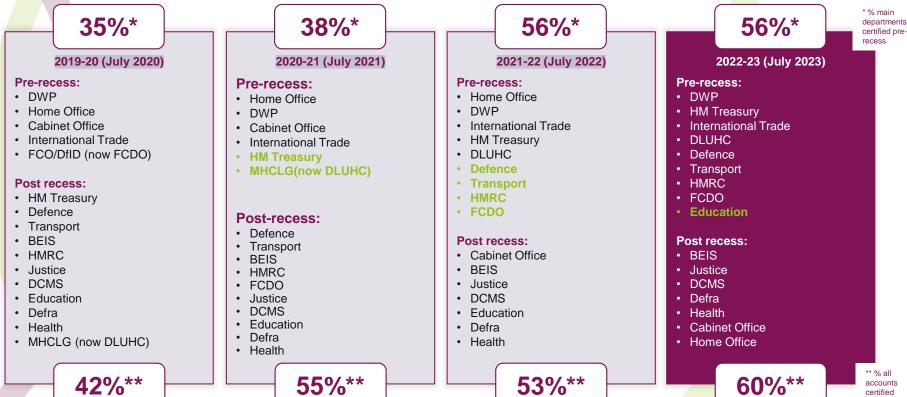
© Copyright 2022 National Audit Office

Returning audits to pre-Recess timetables

The NAO is continuing to work with audited bodies to secure earlier publication of Annual Reports and Accounts, returning to pre-pandemic timetables

National Audit Office

prerecess



Returning audits to pre-Recess timetables

National Audit Office

We are taking the following actions to support returning audits to pre-Recess timetable:



Working with audited

bodies to address issues early and de-risk accounting production and audit timetables, including supporting understanding of changes in auditing standards (such as ISA 315) and evolving audit quality expectations. **Investing in our people** increasing NAO headcount to make sure capacity to deliver.

Working with private sector partners to provide additional peak capacity, both in terms of NAO direct delivery of audits and outsourced audits.

Investing in audit technology and transforming our audit approach providing opportunities for higher quality assurance, greater audit efficiency and shared insight for audited bodies.







2022-23 Reflections



Business Process Risk:



Quality of financial statements



Flow of assurances:



Regularity issues:

Implementation of ISA 315 (revised) has led to identification of some new areas of risk and changes in audit emphasis, including those linked to weakness in business process. E.g. Control and cleansing over records for assets under construction. Pressure on finance teams to deliver against increasing complexity / expectation.

Lateness or quality of evidence impacting timeliness and cost in some cases. Delays in reporting in local government and health are impacting the flow of assurances to central government.

Health of local audit system is a key focus for DLUHC, FRC, NAO and CIPFA. Increase in breaches of Cabinet Office controls giving rise to qualification – importance of preventative controls.

Continued focus on rates of fraud and error, including prevention by design.

Inadequate consideration of need to consult HMT on potentially novel and contentious expenditure.



Forward look



£

Portfolio Changes

Financial Reporting Changes







Auditing Developments

Creation of new departments for 2023-24 through machinery of government changes.

Growth in portfolio through creation of new bodies, designation of bodies to central government or request to take on additional company audits. Need for preparation for further changes in 2025-26:

- IFRS 17: Insurance arrangements
- Non-investment asset valuations (subject to consultation)

Importance of early preparation.

Support for impact of move to TCFD aligned reporting: staged implementation over 3 years.

Need to plan for integration into Annual Report preparation. Continued dynamic environment for auditing standards including:

- Implementation of ISQM 2 and ISA 220 (revised) in 2023-24
- New requirements for Group audits (ISA 600) in 2024-25
- Response to use of technology

