



National Audit Office

INSIGHT

NAO update to FRAB

November 2023

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



35%*

2019-20 (July 2020)

Pre-recess:

- DWP
- Home Office
- Cabinet Office
- International Trade
- FCO/DfID (now FCDO)

Post recess:

- HM Treasury
- Defence
- Transport
- BEIS
- HMRC
- Justice
- DCMS
- Education
- Defra
- Health
- MHCLG (now DLUHC)

42%**

38%*

2020-21 (July 2021)

Pre-recess:

- Home Office
- DWP
- Cabinet Office
- International Trade
- **HM Treasury**
- **MHCLG(now DLUHC)**

Post-recess:

- Defence
- Transport
- BEIS
- HMRC
- FCDO
- Justice
- DCMS
- Education
- Defra
- Health

55%**

56%*

2021-22 (July 2022)

Pre-recess:

- Home Office
- DWP
- International Trade
- HM Treasury
- DLUHC
- **Defence**
- **Transport**
- **HMRC**
- **FCDO**

Post recess:

- Cabinet Office
- BEIS
- Justice
- DCMS
- Education
- Defra
- Health

53%**

56%*

2022-23 (July 2023)

Pre-recess:

- DWP
- HM Treasury
- International Trade
- DLUHC
- Defence
- Transport
- HMRC
- FCDO
- **Education**

Post recess:

- BEIS
- Justice
- DCMS
- Defra
- Health
- Cabinet Office
- Home Office

60%**

* % main departments certified pre-recess

** % all accounts certified pre-recess

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:

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.



Quality of financial statements

Pressure on finance teams to deliver against increasing complexity / expectation.

Lateness or quality of evidence impacting timeliness and cost in some cases.



Flow of assurances:

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.



Regularity issues:

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

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.



Financial Reporting Changes

Need for preparation for further changes in 2025-26:

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

Importance of early preparation.



Sustainability Reporting

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

Need to plan for integration into Annual Report preparation.



Auditing Developments

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