



National Audit Office

The UK's independent public spending
watchdog

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GUIDANCE ON VALUATION OF INFRASTRUCTURE ASSETS

Thank you for your request of 11 August 2023 about guidance on the valuation of infrastructure assets. You requested:

1. "Why did it take until January 2023 to issue guidance on valuation of infrastructure assets?"
2. "Why did valuation suddenly arise as an issue?"

We have handled your request under the terms of the Freedom of Information Act 2000 (FOIA).

In relation to question 1, we do not hold the information that you have requested. This is because the guidance referred to was issued by CIPFA rather than us. You can access the guidance at this link [CIPFA Bulletin 12 Accounting for Infrastructure Assets Temporary Solution | CIPFA](#).

It may help to explain that the National Audit Office's remit only extends to auditors, and not to preparers of accounts. We did refer to the issue briefly in some of our guidance for auditors, flagging it as a potential issue in the 'look ahead section' of our [planning guidance for local government auditors](#) in November 2022. However, we only said the following:

Paragraph 55:

CIPFA/LASAAC is currently considering the requirements in respect of infrastructure assets. If there are any further updates to the 2021-22 Accounting Code, this AGN will be updated accordingly.

Paragraph 92:

Uncertainty on an approach to accounting for these assets has impacted upon the completion of audits where these entries are material. Auditors will be aware of the consultations on this topic by CIPFA/LASAAC. In addition, auditors have participated in discussions on potential ways forward. In England DLUHC plans to put in place a statutory solution to enable accounts affected by this issue to be completed and audited with a reduced level of risk of a modification to the auditor's opinion.

You may be interested to know that, although the guidance referred to was not issued until January 2023, CIPFA established a task and finish group to consider the issue from March 2022. You can read more about this on the CIPFA website [Urgent Infrastructure Assets Task and Finish Group | CIPFA](#). Any questions you have about the work of this group and the guidance would be best directed to CIPFA. Alternatively, you may want to contact the Department of Levelling Up, Housing & Communities, who laid the statutory instrument aimed at providing

a temporary solution. You can contact the Department at correspondence@levellingup.gov.uk.

In relation to question 2, we don't hold information that provides a direct answer or explanation to the question of why the issue of valuation suddenly arose. We do have notes from network discussions held with local audit firms' technical representatives and from periodic meetings with all local audit suppliers, which is a normal part of our engagement with auditors. However, we consider these notes to be exempt from disclosure under Section 33 (public audit functions) of the FOIA.

I am sorry that we are unable to provide the information you requested on this occasion, but I hope you find this response helpful. **Annex A** provides a full explanation of the Section 33 exemption, how it applies to your request and our consideration of the public interest test. **Annex B** sets out the steps you may wish to take if you are not satisfied with the way we have handled your request for information under FOIA.

Yours sincerely,

NAO FOI Team

Annex A

This annex sets out the exemption that we have applied to your request.

Section 33 Freedom of Information Act 2000 – Public Audit

Section 33 of the FOIA provides that:

(1) This section applies to any public authority which has functions in relation to -

(a) the audit of the accounts of other public authorities, or

(b) the examination of the economy, efficiency and effectiveness with which other public authorities use their resources in discharging their functions.

(2) Information held by a public authority to which this section applies is exempt information if its disclosure would, or would be likely to, prejudice the exercise of any of the authority's functions in relation to any of the matters referred to in subsection (1).

Reasons why we have applied the Section 33 exemption:

We have applied the Section 33 exemption to information we hold in scope of your request, namely notes from our network discussions with local audit firms' technical representatives and from periodic meetings with all local audit suppliers. We have applied this exemption because we believe disclosing the contents of these minutes would compromise our ability to work effectively with auditors in the discharge of our statutory responsibilities.

The audit process is enhanced significantly by audited bodies or third-party entities responding promptly to information requests and/or volunteering information to support a constructive, timely and effective audit. The disclosure by NAO of sensitive information beyond that required for audit reporting purposes and published in our Auditor Guidance Notes would impair the provision of audit information in the future – it would reduce, if not cut off, critical information flows. It would incentivise audited bodies to take a minimalist approach to NAO information requests or, in the case of bodies whose engagement is optional, serve to discourage such information sharing altogether.

Audited bodies regularly challenge the extent of the NAO's access rights and seek to place conditions around meeting information requests. Such issues consume time and resources as we work them through. The disclosure of this sensitive information would encourage audited bodies to approach our audit work in this way going forwards.

An effective, efficient audit is supported through an open and constructive approach between the NAO and the audited body. As such it is critically important that we have a safe space to gather information and knowledge and can engage in a free and frank way with audited bodies. The release of this information would remove this safe space - precipitating a backdrop of increased challenge and procedure around requests for audit information. This would require the NAO to formally assert our statutory access rights more frequently and potentially seek to enforce them, leading to significant delay, escalation of issues and increased audit costs.

Section 17(3) of the Budget Responsibility and National Audit Act 2011 places a duty on the C&AG to "aim to carry out functions effectively and cost effectively". Given the above factors, we consider that our disclosure of the information requested would be at odds with this statutory requirement – it would serve to undermine the effectiveness and increase the cost of the C&AG's public audit functions.

For the reasons set out above, we consider it appropriate to apply the public audit exemption available under Section 33(2) of the FOIA.

Reasons why the public interest in maintaining the exclusion outweighs the public interest in disclosing the information in this case:

The C&AG and the NAO are independent of government and scrutinise public spending on behalf of Parliament. Our work serves the public interest by helping Parliament hold government to account, providing transparency on matters of public interest and driving improvement in the use of public resources.

We recognise there is a public interest in knowing the use of public money is subject to appropriate levels of accountability and transparency, delivered through an effective audit function. However, we consider the

disclosure of the specific information we have withheld would be likely to reduce the effectiveness of the audit process for the reasons set out above.

Auditor Guidance Notes (AGNs) are prepared and published by the National Audit Office (NAO) on behalf of C&AG who has power to issue guidance to auditors under Schedule 6 paragraph 9 of the Local Audit and Accountability Act 2014 (the Act). AGNs set out guidance to which local auditors must have regard under Section 20(6) of the Act. The guidance in AGNs supports auditors in meeting their requirements under the Act and the Code of Audit Practice published by the NAO on behalf of the C&AG.

The NAO's work puts information into the public domain and helps Parliament hold government to account. In our view, the balance of public interest rests with the NAO being able to deliver an effective and efficient public audit function and report our findings in public. Consequently, given the negative impact that would result from disclosure, we consider it appropriate to maintain the Section 33 public audit exemption.

Annex B

Statement of Policy

Our policy is to respond to requests made under the Freedom of Information Act 2000 as helpfully and promptly as possible, having regard to the principles set out in the Act. I therefore hope you are happy with the way we have handled your request. If you are not, then you should take the following steps.

In the first instance, within 40 working days, write to the National Audit Office Freedom of Information (FOI) Team at FOI@nao.org.uk or by post to:

FOI Team, Green 2, National Audit Office, 157-197 Buckingham Palace Road, London, SW1W 9SP

The Head of FOI will arrange a review, which will be conducted by a senior member of staff who was not involved in decisions relating to your original request. Once the review has been completed, we will write informing you of the outcome.

If you are not content with the outcome of the internal review, you have the right to apply directly to the Information Commissioner for a decision. The primary way of escalating your concerns to the Information Commissioner is at: <https://ico.org.uk/foicomplaints>

Alternatively you can contact the ICO at <https://ico.org.uk/> or Information Commissioner's Office Wycliffe House Water Lane Wilmslow Cheshire SK9 5AF.