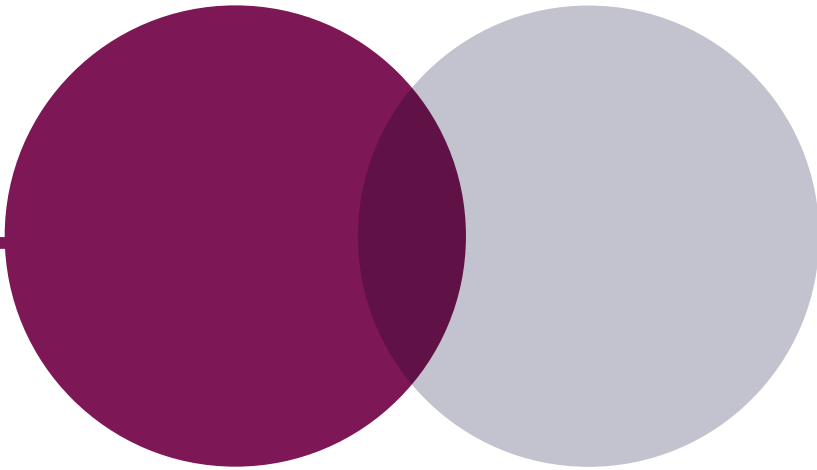




National Audit Office



Code of Audit Practice

by the
National Audit Office
14 November 2024



We are the UK's
independent
public spending
watchdog.

We support Parliament
in holding government
to account and we
help improve public
services through our
high-quality audits.

The National Audit Office (NAO) scrutinises public spending for Parliament and is independent of government and the civil service. We help Parliament hold government to account and we use our insights to help people who manage and govern public bodies improve public services.

The Comptroller and Auditor General (C&AG), Gareth Davies, is an Officer of the House of Commons and leads the NAO. We audit the financial accounts of departments and other public bodies. We also examine and report on the value for money of how public money has been spent.

In 2023, the NAO's work led to a positive financial impact through reduced costs, improved service delivery, or other benefits to citizens, of £1.59 billion. This represents around £17 for every pound of our net expenditure.



National Audit Office

Code of Audit Practice

Presented to Parliament pursuant to Schedule 6
Para 5 of the Local Audit and Accountability
Act 2014

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Preface

The Code of Audit Practice (the Code)

The Local Audit and Accountability Act 2014 (the Act) requires the Comptroller and Auditor General to prepare one or more codes of audit practice prescribing the way local auditors are to carry out their functions. This responsibility is important both nationally and locally in supporting auditors and underpinning a consistent, high-quality approach to the audit of local public bodies.

Any code prepared under the Act must “embody what the Comptroller and Auditor General considers to be the best professional practice with respect to the standards, procedures and techniques to be adopted by local auditors”. Auditors of bodies covered by the Act are required to comply with a code prepared by the Comptroller and Auditor General and approved by Parliament, but the Code cannot guarantee the quality of the auditor’s judgements or that significant failure or wrongdoing will not take place at an audited body.

Our approach

This is the third Code that the Comptroller and Auditor General has produced since taking responsibility for maintaining the Code and associated statutory guidance to auditors in 2015. We have consulted widely on the development of this new Code in order that it reflects the issues stakeholders perceive to be the most relevant to local audit over the next five years.

The Comptroller and Auditor General is an Officer of the House of Commons and is the head of the National Audit Office (NAO), which scrutinises public spending on behalf of Parliament and holds government departments and other public bodies to account for the way they use public money, thereby safeguarding the interests of taxpayers.¹ In addition, the NAO’s work aims to help public service managers improve performance and service delivery.

¹ The specific powers and duties of the Comptroller and Auditor General and of the National Audit Office are laid down in legislation, in particular the National Audit Act 1983, the Government Resources and Accounts Act 2000 and the Budget Responsibility and National Audit Act 2011.

The Comptroller and Auditor General has retained a single Code covering the audit of different types of local public body. This reflects the fact that the core statutory responsibilities placed on the auditors of the different types of local public body covered by the Code are essentially the same. In addition, a single code has practical benefits and helps promote consistency of approach. Where differences exist in what the auditors of different types of local public body are required to do, we have highlighted these within the Code or will address them in our detailed *Auditor Guidance Notes* (AGNs), which are published on the NAO website.

The Code continues to take a principles-based, rather than a rules-based, approach. This is in line with predecessor codes and allows us to maintain a concise, high-level code applicable to the audit of all local public bodies within the local audit model established by the Act, providing a clear framework for the auditor to meet their statutory duties. A principles-based approach also helps to ensure that the Code does not become out of date as the regulatory environment evolves.

A principles-based code allows the auditor to adopt a flexible approach that is responsive to sector developments and to the specific circumstances faced by the audited body. As is the case at present, it follows that the amount of work required to perform a good-quality audit may increase or decrease in response to those circumstances.

The Code cannot direct an auditor to reach a particular judgement or place requirements on local bodies themselves. The successful delivery of an audit under the Code is, however, predicated on the audited body meeting its statutory responsibilities to provide the auditor with the facilities and information the auditor reasonably requires for the purposes of their functions on a timely basis and to an appropriate standard.

Application of the Code

The Code relates to the audit of relevant bodies as set out in Schedule 2 and Schedule 13(3)(1) to the Act. Additionally, Schedule 6 to the Act extends the Code's scope to cover the audit of NHS foundation trusts. Appendix One provides a list of the different types of body to which the Code applied at the time it was published following Parliament's approval – this is provided for information and does not form part of the Code.

The Comptroller and Auditor General must keep the Code under review and obtain Parliament's approval for any amendments. The Comptroller and Auditor General must use reasonable endeavours to ensure that the Code is replaced with a new code before the end of five years from the date this Code was published.

Statutory guidance to auditors

The Code may be supplemented by detailed statutory guidance to auditors provided by the NAO on the Comptroller and Auditor General's behalf. Auditors are required, under the Act, to have regard to this guidance, which is published on the NAO's website and includes:

- general guidance supporting local audit (including ethical requirements);
- planning local NHS audits;
- planning local government audits;
- the auditor's work on value for money arrangements;
- smaller authority assurance engagements;
- the auditor's additional duties and powers; and
- auditor reporting.

The NAO may provide additional ad hoc guidance to auditors as required, for example on emerging regime-wide issues. This will be informed by the NAO's regular engagement with auditors and other stakeholders.

Contents of the Code

The Code comprises the following sections:

- Chapter One – Status of the Code, application and general principles.
- Chapter Two – Audit of the financial statements.
- Chapter Three – The auditor's work on value for money arrangements.
- Chapter Four – Reporting the results of the auditor's work.
- Chapter Five – The auditor's additional powers and duties.
- Chapter Six – Smaller authority assurance engagements.
- Schedule 1 – The auditor's statutory responsibilities.
- Schedule 2 – Reporting of additional matters by exception.

- Schedule 3 – The auditor’s work on value for money arrangements relating to incomplete audits for bodies other than local NHS bodies.
- Schedule 4 – Reporting the results of the auditor’s work relating to incomplete audits for bodies other than local NHS bodies.

Additional material, provided for information only:

- Preface.
- Appendix One – Types of local public body covered by the Code.
- Glossary.

Chapter One

Status of the Code, application and general principles

1.1 This chapter covers the status of the Code, provides details on its application and sets out principles which should underpin the conduct and work of the auditor in discharging their statutory duties.

Status of the Code

1.2 The Comptroller and Auditor General is required to prepare the Code of Audit Practice (the Code) under paragraph 1 of Schedule 6 to the Local Audit and Accountability Act 2014 (the Act), which must be laid before Parliament under paragraph 5 of that schedule, which also explains the Parliamentary procedure required.

Application of the Code

1.3 The Code applies to the audit of relevant bodies as set out in Schedule 2 and Schedule 13(3)(1) to the Act. Additionally, Schedule 6 to the Act extends the duty to prepare the Code to cover the audit of NHS foundation trusts. Auditors of these bodies are required to comply with the Code.

1.4 The auditor should use their professional judgement to apply the principles and requirements set out in this Code to the particular circumstances that exist at different audited bodies.

1.5 This Code supersedes the Code of Audit Practice 2020, which was published by the National Audit Office (NAO) in April 2020. This Code comes into force on the date of publication ('commencement date'). Save as set out below, the Code applies to audits of relevant bodies that have not been certified complete as at the commencement date ('incomplete audits') and audits of relevant bodies for future years of account:

- For incomplete audits of local NHS bodies up to and including 2023-24, auditors of local NHS bodies should instead comply with the 2020 Code.¹

¹ Local NHS bodies include integrated care boards, clinical commissioning groups, NHS trusts and NHS trustees and NHS foundation trusts as set out in Schedule 1 and Appendix One of this Code.

Principles

1.6 The Code takes as its starting point long-established and enduring principles of public audit, which are the wider scope of public audit; independence; and public reporting, and builds on them as set out below:

Wider scope of public audit

Public accountability

1.7 The audit of a public sector organisation is wider in scope than that of a private sector body. Special accountabilities attach to the use of public money and the conduct of public business. It is not part of the auditor's responsibilities to question the merits of policy, but the auditor does have wider duties (depending upon the relevant legislation) to scrutinise and report not only upon the truth and fairness of the financial statements but also on aspects of stewardship of public funds. The auditor carries out this work on behalf of the public and in the public interest.

1.8 The auditor does not act as a substitute for the audited body's own responsibility for putting in place proper arrangements in support of the proper conduct of public business, and for ensuring that public money is safeguarded, properly accounted for and used with due regard to value for money.

1.9 The auditor should, however, be mindful of the unique position they hold as a public auditor, and ensure that they have open and transparent arrangements in place that recognise their responsibilities to both the audited body and also to local taxpayers and residents.

Proportionality

1.10 The auditor's work should be risk-based and proportionate. It should be designed to meet the auditor's statutory responsibilities, applying the auditor's professional judgement to tailor their work to the circumstances in place at the audited body and the audit risks to which they give rise. The auditor should also consider carefully the practical and resource implications for the audited body when framing recommendations arising from their work.

1.11 There may be circumstances in which it appears to the Comptroller and Auditor General that aspects of the Code need to be applied in a certain way in order to meet the specific circumstances of certain bodies, for example because of the nature of their business or the relatively small amounts of public money that they control. In such circumstances, the auditor should weigh the significance of the issue against the amounts involved in relation to the size of the body concerned to determine whether further action is proportionate and in the public interest, having regard to any statutory guidance issued on behalf of the Comptroller and Auditor General.

Cooperation

1.12 Local public bodies increasingly operate, commission and deliver services in a range of partnerships and other forms of joint working or contracts with other public, private or third-sector bodies. In meeting their statutory duties, therefore, the auditor should consider how best to obtain assurance over such arrangements, working effectively with other auditors where appropriate.

1.13 The auditor should, likewise, be mindful of the activities of inspectorates and other bodies and take account of them where relevant to prevent duplication and ensure that the demands on audited bodies are managed effectively. In so doing, the auditor should be informed by the reported results of inspectorates and other bodies in relation to corporate or service performance. The auditor is not required to carry out procedures to assess the quality of, or re-perform, the work of inspectorates and other bodies, except where it would be unreasonable not to do so, for example, to provide assurance in accordance with auditing standards issued by the relevant regulatory body in support of the audit opinion on the financial statements.

1.14 The auditor should adopt a constructive approach to their work with the audited body. The auditor should share and discuss their audit plan at an early stage with the audited body. The auditor should build effective coordination arrangements with internal audit, using the work of internal audit where, in the auditor's judgement and in line with professional standards, this is appropriate.

1.15 Where there is a change in the appointed auditor, auditors should also ensure that they co-operate effectively during the handover period, having regard to any guidance issued by the C&AG to support the efficient and effective discharge of responsibilities.²

1.16 In addition to maintaining the Code and issuing statutory guidance to auditors, the NAO has functions in respect of considering value for money across local services. To support its functions, the NAO may request information from auditors. The auditor should provide such information in response to reasonable requests.³

2 The handover period is defined as the period from the date from which the new auditor's appointment takes effect to the date on which the outgoing auditor certifies completion of the last of any audits of that local public body which were incomplete on the date the new auditor's appointment took effect.

3 Relevant to this is Schedule 11, paragraph 2(1)(b) and Schedule 11, paragraph 2(1)(d)(i), Local Audit and Accountability Act 2014

Independence

Integrity and objectivity

1.17 The auditor should carry out their work with integrity and objectivity to underpin and safeguard their independence at all times. Auditors also need to comply with the ethical framework applicable to auditors, including any ethical standards set by a relevant regulatory body, along with any additional requirements set out by the auditor's recognised supervisory body, or any other body charged with oversight of the auditor's independence. The auditor should be, and should be seen to be, impartial and independent. Accordingly, the auditor should not carry out any other work for an audited body if that work would impair their independence in carrying out any of their statutory duties or might reasonably be perceived as doing so.

Professionalism

1.18 The auditor should carry out their work in compliance with the requirements of the Code, which itself requires compliance, where applicable, with standards issued by a relevant regulatory body. The auditor should conduct their work economically, efficiently and effectively, and in as timely a way as possible. The auditor should adopt an integrated approach to their work under the Code, where the knowledge gathered, and work carried out in support of each of the auditor's statutory and reporting obligations, informs the auditor's judgements as a whole.

Professional scepticism

1.19 In carrying out their work, the auditor should exercise professional scepticism. They should obtain and document such information and explanations as they consider necessary to provide sufficient, appropriate evidence in support of their judgements, both in relation to their work on the financial statements and their work on arrangements to secure value for money. The auditor should meet the requirements of legislation, the Code and, where applicable, professional standards while also having regard to statutory guidance issued by the NAO, on behalf of the Comptroller and Auditor General, under paragraph 9 of Schedule 6 to the Act.

Public reporting

1.20 The auditor has a range of means at their disposal, by which their findings may be reported publicly. The auditor should report using their professional judgement on the most appropriate and effective means of reporting and applying the following principles, reflecting the wider scope of public audit. The auditor should, therefore:

- report on a timely basis, clearly, concisely and objectively without fear or favour. Timely reporting includes producing audit reports in time, insofar as the auditor can do so under auditing standards, to allow local bodies to comply with the requirements placed on them to publish their audited financial statements. It also means ensuring that when matters of concern arise during the course of the audit, the auditor raises them promptly with the body and considers whether the matter needs to be brought to public attention at the appropriate time;
- when reporting in public, use language that readers will understand, reflecting the principle that local audit reporting is for the benefit of the public as well as the body being audited;
- use the most appropriate form of reporting available in the expectation that audited bodies ensure that the report is sufficiently prominent and accessible to people when published;
- set out to whom the report is addressed, the period to which it relates, its date, its purpose and the relevant duty or power under which the auditor is issuing it;
- reflect the wider scope of public audit by covering the range of audit responsibilities under the Code;
- be open and transparent about the scope and nature of the work carried out; and
- if making recommendations, set judgements out clearly, along with the evidence on which those judgements are based, explain the impact they have on the audited body, and the actions the body should take in response.

Appropriate knowledge and skills

1.21 In order to undertake audits effectively and report to local bodies and their stakeholders in accordance with these principles, the auditor should ensure that they have the necessary skills and knowledge to discharge their functions effectively and have arrangements in place to ensure that audit teams have sufficient knowledge of the relevant public sector financial reporting, regulatory and legislative frameworks.

1.22 The auditor should ensure that audit teams comply with statutory and other relevant requirements relating to the security, transfer, holding, disclosure and disposal of information, particularly personal information received or obtained during the course of their audit work.

Chapter Two

Audit of the financial statements

2.1 This chapter addresses the auditor's statutory duties in respect of the audit of the financial statements. *Schedule 1: The auditor's statutory responsibilities* summarises the statutory duties of auditors of the different types of principal body covered by the Code.

2.2 The auditor of a body that meets the qualifying conditions of a smaller authority should apply procedures as set out in Chapter Six of the Code, unless the body chooses to be treated as a full audit authority in accordance with regulations made under Section 5 of the Act.

Responsibilities of the audited body

2.3 The specific responsibilities of different types of audited body regarding the production and reporting of financial statements and other information vary depending on relevant legislation, regulations and any other requirements that may be placed upon them. However, all audited bodies are expected to have effective corporate governance arrangements to deliver their objectives. To this end, the publication of the financial statements is an essential means by which the audited body accounts for its stewardship and use of the public money at its disposal.

2.4 The precise form and content of the audited body's financial statements, and any additional schedules or returns for consolidation purposes, should reflect the requirements of the relevant accounting and reporting framework in place for that particular type of audited body and any additional guidance issued in support of the accounting and reporting framework.

2.5 The audited body may also be required to prepare schedules or returns to facilitate the preparation of consolidated accounts such as HM Treasury's Whole of Government Accounts or other relevant group accounts.

Responsibilities of the auditor

2.6 To meet their duties in respect of the audit of the financial statements, the auditor should comply with auditing standards currently in force in the United Kingdom, as may be amended from time to time, having regard to any other guidance issued by a relevant regulatory body, and statutory guidance issued by the NAO on behalf of the Comptroller and Auditor General.

2.7 The auditor should undertake work to support the provision of their audit report to the audited body. In respect of their audit of the financial statements, the auditor's report should include the following components:

Opinion on the audited body's financial statements

- whether the financial statements give a true and fair view of the financial position of the audited body and its expenditure and income for the period in question; and
- whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Opinion on other matters

- whether other information published together with the audited financial statements is consistent with the financial statements; and
- where required, whether the part of the remuneration report to be audited has been properly prepared in accordance with the relevant accounting and reporting framework.

Opinion on regularity

- where required – whether in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions in the financial statements conform to the authorities which govern them.⁴

2.8 Other information published together with the audited financial statements covers material that the audited body chooses or is required to provide alongside its financial statements. For example, the governance statement, a strategic report, a directors' report or a narrative report or equivalent. In reading the information given with the financial statements, the auditor should take into account their knowledge of the audited body, including that gained through work in relation to the body's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources.

2.9 The auditor will report to the audited body by exception in respect of the governance statement, and other accompanying material as required, in accordance with relevant statutory guidance prepared by the NAO on behalf of the Comptroller and Auditor General.

⁴ Auditors of certain local public bodies (for example, integrated care boards) are required to provide an opinion on regularity as part of their audit of the financial statements when this is required by the relevant framework of authorities.

2.10 The auditor's report should address any additional reporting requirements set out in applicable auditing standards or as required by Schedule 1 to this Code. This may include issuing enhanced auditor reports under the relevant auditing standard. The NAO, on behalf of the Comptroller and Auditor General, will specify any such reporting requirements in statutory guidance to auditors.

2.11 Where the audited body is required to produce schedules or returns to facilitate the preparation of consolidated accounts, the auditor should, having regard to any relevant statutory guidance or group audit instructions prepared by the NAO on behalf of the Comptroller and Auditor General, examine and report on the consistency of the schedules or returns with the body's audited financial statements for the relevant reporting period.

2.12 The auditors of bodies that administer pension funds are also required to give a separate opinion on the part of the administering authority's financial statements that relates to the accounts of the pension fund. In doing so, the auditor should have regard to relevant statutory guidance issued by the NAO on behalf of the Comptroller and Auditor General.

Auditors' duties in relation to Accounts and Audit Regulations

2.13 Where relevant authorities have adopted their accounts in accordance with the requirements of the Accounts and Audit Regulations (as may be amended from time to time), auditors should issue their audit report in time for the relevant authority to publish its accounts by the specified date in those Regulations. This paragraph does not apply where:

- the auditor is considering an objection that may have a material impact on their opinion on the financial statements;
- in the auditor's judgement recourse to the Court could be required; or
- the auditor is unable to satisfy themselves as to whether there are significant weaknesses in the body's arrangements to secure economy, efficiency and effectiveness in its use of resources except in relation to incomplete audits up to and including 2022-23 where auditors should refer to Schedule 4.

2.14 Once any conditions preventing the auditor from reporting no longer apply, the auditor should issue their audit report as soon as practicable.

Chapter Three

The auditor's work on value for money arrangements

3.1 This chapter addresses the auditor's statutory duties in respect of the audited body's arrangements to secure value for money through the economic, efficient and effective use of its resources. *Schedule 1: The auditor's statutory responsibilities* summarises the statutory duties of auditors of the different types of principal body addressed by this Code. The auditor of a body that meets the qualifying conditions of a smaller authority should apply procedures as set out in Chapter Six of this Code, unless the body chooses to be treated as a full audit authority in accordance with regulations made under Section 5 of the Act.

3.2 Auditors of relevant bodies should comply with paragraphs 3.6 to 3.15 of Chapter Three and the requirements of Chapter Four, save as set out below:

- **For incomplete audits of relevant bodies other than local NHS bodies in relation to audit years prior to 2023-24, auditors should instead comply with the requirements set out in Schedules 3 and 4.**
- **For incomplete audits of local NHS bodies in relation to audit years up to and including 2023-24, auditors should instead comply with the requirements of the 2020 Code as set out in paragraph 1.5.**

Responsibilities of the audited body

3.3 Local public bodies are required to maintain an effective system of internal control that supports the achievement of their policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at their disposal.

3.4 As part of the material published with its financial statements, the audited body is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement.

3.5 In preparing its governance statement, the audited body will tailor the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. While this introduces variation in the detail of what should go into the governance statements for different types of audited body, for most local bodies there is a requirement to provide commentary on their arrangements for securing value for money from their use of resources.

Responsibilities of the auditor

3.6 Auditors of the different types of local public body covered by the Code have a consistent statutory responsibility in respect of the audited body's use of resources – to satisfy themselves that the audited body:

...has made proper arrangements for securing economy, efficiency and effectiveness in its use of resource.⁵

3.7 In practice, this means that the auditor should, having regard to relevant statutory guidance issued by the NAO on behalf of the Comptroller and Auditor General, undertake sufficient work to be able to satisfy themselves as to whether, in the auditor's view, the audited body has put arrangements in place that support the achievement of value for money. In carrying out this work, the auditor is not required to satisfy themselves that the audited body has achieved value for money during the reporting period. However, should evidence of poor value for money come to the auditor's attention during the course of the audit, the auditor should consider the implications of this for their work.

3.8 The auditor's work should be underpinned by consideration of what arrangements the audited body is expected to have in place. This should be based on the relevant governance code or framework for the type of local public body being audited, together with any other relevant guidance or requirements.

3.9 The auditor should take into account their knowledge of the relevant sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, are relevant to the auditor's work on value for money arrangements. An understanding of the sector includes the relevant regulatory framework in which the audited body operates.

⁵ Section 20(1)(c) and Section 21(1)(c) Local Audit and Accountability Act 2014 and Schedule 10(1)(d) National Health Service Act 2006.

3.10 The auditor's work on value for money arrangements should be informed by:

- the audited body's governance statement and any additional reporting by the body on the arrangements it has in place to manage risks to the achievement of value for money through the economic, efficient and effective use of its resources;
- evidence that the audited body's arrangements were in place during the reporting period;
- evidence obtained from the auditor's other work – including previous work on value for money arrangements, work completed as part of the audit of the financial statements and the audited body's response to this work;
- the work of inspectorates and other bodies – where the scope and results are relevant to the auditor's value for money responsibilities. The auditor is not required to quality-assure or re-perform the work of others and may use such work to the extent that, in their judgement, it is appropriate to do so; and
- any other evidence source that the auditor regards as necessary to facilitate the performance of their statutory duties.

3.11 Determining how much work to do on arrangements to secure value for money is a matter of auditor judgement. The auditor should clearly document the work they have undertaken and report each year in accordance with Chapter Four of this Code having regard to the following specified reporting criteria:

- **Financial sustainability:** how the body plans and manages its resources to ensure it can continue to deliver its services;
- **Governance:** how the body ensures that it makes informed decisions and properly manages its risks; and
- **Improving economy, efficiency and effectiveness:** how the body uses information about its costs and performance to improve the way it manages and delivers its services.

3.12 The auditor should keep their risk assessment under continuous review. Where appropriate, the auditor should update their work to reflect emerging risks or findings. The auditor should document any changes to their planned work and ensure these are communicated with the audited body.

3.13 In reviewing the audited body's value for money arrangements, it is not part of the auditor's function to question the merits of the audited body's policy decisions. However, the auditor may examine the arrangements by which policy decisions are reached and implemented. In making recommendations, the auditor should avoid any perception that they have any role in the decision-making arrangements of the audited body.

3.14 The auditor's work should be designed to provide the auditor with sufficient assurance to enable them to report to the audited body in accordance with Chapter Four of this Code and with the specified reporting criteria on the arrangements the body has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

3.15 Where the auditor identifies significant weaknesses in arrangements as part of their work on arrangements to secure value for money, they should make recommendations setting out:

- their judgement on the nature of the weakness they have identified;
- the evidence on which their view is based;
- the impact on the local body; and
- the action the body needs to take to address the weakness.

Chapter Four

Reporting the results of the auditor's work

4.1 This chapter addresses the auditor's statutory duties for reporting the results of their work as summarised within *Schedule 1: The auditor's statutory responsibilities*. The auditor of a body that meets the qualifying conditions of a smaller authority should apply procedures as set out in Chapter Six of the Code, unless the body chooses to be treated as a full audit authority in accordance with regulations made under Section 5 of the Act.

4.2 The auditor should report the results of their work using a range of outputs at the appropriate point in the audit process as set out in this chapter.

4.3 **Auditors of relevant bodies should comply with paragraphs 4.4 to 4.13 of Chapter Four, save as set out below:**

- **For incomplete audits of relevant bodies other than local NHS bodies in relation to audit years prior to 2023-24, auditors should instead comply with the requirements set out in Schedule 4.**
- **For incomplete audits of local NHS bodies in relation to audit years up to and including 2023-24, auditors should instead comply with the requirements of the 2020 Code as set out in paragraph 1.5.**

Planning the audit

4.4 The audit planning report sets out how the auditor intends to carry out their duties in respect of the accounts in accordance with auditing standards. In addition to planned work on the audit of the financial statements, the audit planning report should encompass the auditor's planned work to meet their duties in respect of the audited body's arrangements to secure value for money through the economic, efficient and effective use of its resources. The responsibility for establishing the overall audit strategy and the audit plan rests solely with the auditor. The auditor should discuss their risk assessment and planned approach as set out in the audit planning report with management and with those charged with governance.

Completion of audit fieldwork

4.5 In support of the completion of their work, and at least annually, the auditor should report to those charged with governance. Reports to those charged with governance should comply with auditing standards and may include any matters the auditor wishes to bring to the body's attention.

Conclusion of the audit

4.6 In order to promote timely and impactful reporting that supports local bodies to improve and provides appropriate assurance to wider stakeholders, the auditor should report in a way that is consistent with the principles of public reporting set out in Chapter One. To achieve this, the Code requires that the auditor issues the following reports when they have concluded their audit:

- **Audit report on the financial statements** – the audit report should cover the results of the auditor's work on the financial statements and the basis of their opinion as set out in Chapter Two of the Code. Where the auditor has issued referrals to the Secretary of State as set out in Schedule 2 (Reporting of additional matters by exception), these should also be included in the auditor's report on the financial statements. The partner or director who is the relevant engagement lead should sign the audit report with his or her name as well as the name of the firm of auditors. Where the auditor is not satisfied in respect of arrangements to secure value for money, they should refer to this by exception.
- **Audit completion certificate** – the auditor should certify the completion of the audit. The effect of the certificate is to close the audit. This marks the point when the auditor's responsibilities in respect of the audit of the period covered by the certificate have been discharged. There may be occasions when the auditor is able to issue the audit report on the financial statements but cannot certify completion of the audit because they are considering an objection made under Section 27 of the Local Audit and Accountability Act 2014. In such circumstances, the auditor should consider whether to issue their audit report ahead of certifying closure of the audit. Auditors may identify significant weaknesses in arrangements after the auditor's annual report has been issued (for example as a result of completing work on the opinion or in the case of an objection under section 27 of the 2014 Act). Where auditors identify significant weaknesses relevant to the year under consideration after issuing the auditor's annual report, the weakness should be reflected in either the audit report or the certificate as relevant.

Auditor's annual report

4.7 The auditor's annual report should provide an annual summary of the position of the audit at the time of issue⁶. A core element of the auditor's annual report will be the commentary in accordance with the specified reporting criteria set out in Chapter Three (and as supplemented in statutory guidance issued by the NAO). The commentary should be clear, readily understandable and highlight any issues that the auditor wishes to draw to the attention of the body or the wider public. This should include details of any recommendations issued to the body from the audit and follow-up of recommendations related to previous years, along with the auditor's view as to whether they have been implemented satisfactorily.

4.8 The auditor should aim to issue their draft auditor's annual report for local NHS bodies no later than one month after the date on which they have issued their audit report. Where the auditor is unable to issue their audit report in accordance with the requirements set out in the NHS timetable, the auditor should consider whether it is in the public interest to issue their auditor's annual report to reflect the work completed to date.

4.9 From 2024-25, for relevant authorities other than local NHS bodies, auditors should issue their draft auditor's annual report to those charged with governance by 30 November each year. This includes where the auditor has not yet issued the auditor's report on the financial statements or is considering an objection. The auditor should reflect the work completed to date since the issue of the last auditor's annual report. If during the completion of opinion work, or consideration of the objection, any significant weaknesses are identified in arrangements to secure value for money, these should be reported to the body promptly and reflected in the audit report on the financial statements or in the certificate as appropriate. Auditors may update and re-issue the auditor's annual report at the conclusion of the audit.

4.10 For 2023-24 only, the Code requirement to issue an auditor's annual report by 30 November is suspended. Auditors may exercise judgement to determine when to issue their annual report including their commentary on arrangements to secure value for money.

⁶ The auditor's annual report replaced the audit letter from 2020-21.

4.11 The auditor's annual report should also include:⁷

- confirmation of the status of the work on the opinion on the financial statements, including the type of opinion given where it has been issued; and
- (by exception), reference to any reporting by the auditor on a range of additional matters as appropriate. *Schedule 2: Reporting of additional matters by exception* sets out these additional matters and the types of audited body to which each applies.

Other reporting

4.12 Statement on consolidation schedules – the auditor should provide a statement on whether any schedules or returns the audited body is required to produce for the purposes of preparing consolidated accounts are consistent with the audited body's financial statements for the relevant reporting period. The auditor's statement should refer to any modification of the auditor's opinion on the financial statements.

Any stage during the audit

4.13 The auditor should consider whether any matters coming to their attention require them to progress the actions and outputs identified below before the end of the audit:

- Communication on specific elements of the auditor's work – the auditor should maintain regular communication with the audited body to ensure that emerging findings are raised on a timely basis in the form, and at the level within the audited body, that the auditor judges appropriate.
- Reports in the public interest – the auditor should consider whether, in the public interest, they should report on any matter that comes to their notice so that it is brought to the attention of the audited body and the public:
 - When preparing and issuing reports in the public interest, the auditor should tailor their approach to the urgency and significance of their concerns. The auditor should make a report during the audit if they consider the matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.
 - If the auditor issues a report in the public interest, this should be referred to in the next auditor's annual report.

⁷ Schedule 1 sets out the different reporting requirements that apply to different types of audited body.

- Written recommendations – the auditor should consider whether to use the powers Schedule 7 of the Act provides to make written recommendations to the audited body which need to be considered by the body and responded to publicly. Where the auditor considers it appropriate to make such recommendations, these can be made during or at the end of the audit and can be included, where relevant, within other written outputs from the audit or they may be the subject of a specific report to the audited body. Where the auditor makes a recommendation under Schedule 7, they should clearly identify the recommendation as such so as to distinguish it from other, more general, recommendations for improvement that may arise during the audit (or as a result of an objection). The power to make such recommendations under the Act does not apply to the auditors of NHS foundation trusts.
- Referral of matters arising – the auditor of an NHS body has a duty to consider whether there are any issues arising during their work that indicate possible or actual unlawful expenditure or action leading to a possible or actual loss or deficiency that should be referred to the Secretary of State, and/or relevant NHS regulatory body as appropriate.⁸ The auditor should still consider the need for a report in the public interest in respect of matters so referred.

8 NHS bodies covered by the Code are set out in Appendix One.

Chapter Five

The auditor's additional powers and duties

5.1 This chapter addresses the auditor's use of additional powers and duties, as summarised below. These powers and duties apply to all types of bodies covered by the Code, except for health service bodies.

Power or duty	Legislation
To give local government electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts.	Sections 26 and 27 Local Audit and Accountability Act 2014.
To apply to the court for a declaration that an item of account is contrary to law.	Section 28 Local Audit and Accountability Act 2014.
To consider whether to issue and, if appropriate, to issue an advisory notice or to make an application for judicial review.	Sections 29 and 31, Schedule 8 Local Audit and Accountability Act 2014.
Matters reported in the public interest.	Schedule 7 Local Audit and Accountability Act 2014.
Written recommendations made to the audited body under Section 24 and Schedule 7 of the Local Audit and Accountability Act 2014.	Schedule 7 Local Audit and Accountability Act 2014.

5.2 In exercising any of the above powers and duties, including when performing a smaller authority assurance engagement as specified at Chapter Six of the Code, the auditor should tailor their approach to the particular circumstances of the matters under consideration, having particular regard to the principle of proportionality set out in Chapter One.

5.3 Where any representations are made to the auditor or information is provided that is relevant to the audit or smaller authority assurance engagement, or relevant matters otherwise come to their attention, the auditor should consider whether the matter needs investigation and action under these additional powers and duties or whether it can be considered more effectively within planned work programmes and reporting arrangements under the auditor's other audit or smaller authority assurance engagement responsibilities.

5.4 In considering whether to exercise any of their additional powers and duties, and in determining the time and resource to be spent on dealing with matters that come to their attention, the auditor should consider the relevant requirements of the Act and:

- the significance of the subject matter;
- whether there is wider public interest in the issues raised and/or whether it would be in the public interest for the auditor to comment publicly on an issue;
- whether the substance of the matter has been considered and/or reported upon previously by the body's auditor;
- whether the substance of the matter falls within the scope of work conducted by an inspectorate or other body;
- the costs of dealing with the matter when set against the sums involved and the size of the audited body, bearing in mind that these costs are borne by the taxpayer and so should be proportionate and in the public interest; and
- in the case of objections, the rights of both those subject to objection and of the objector.

5.5 Where the auditor issues a modified audit report on the financial statements that is not solely as a result of any statutory publication requirements for audited financial statements, they should consider whether to issue a statutory recommendation or public interest report to draw attention to the significance of the issue(s).

The exercise of public rights and considering objections

5.6 Under Section 27 of the Act, local electors have the right to object to a local authority's draft accounts during a fixed 30-working day period each year. Where a local auditor receives an objection, they should:

- determine whether the objection is eligible;
- decide whether or not to consider the objection; and
- where they decide to consider the objection, look into the matter being raised and decide whether to exercise any of their additional powers.

5.7 When considering objections, the auditor should do so in a timely manner, keeping the objector and the authority updated as to their progress. Specifically:

- when considering eligibility, the auditor should use best endeavours to determine whether the objection is eligible within one week of receipt;
- when exercising their discretion whether or not to consider the objection, the auditor should use best endeavours to reach their decision and to inform the objector and the authority of their decision within one month of determining eligibility; and
- where the auditor decides to consider the objection, use best endeavours to complete their work and inform the objector and the authority of their decision within six months of their decision to accept the objection for consideration. Where the auditor is not able to decide the objection within six months, they should inform the objector and the authority and provide a further update on progress every three months until the objection is decided.

Chapter Six

Smaller authority assurance engagements

6.1 This chapter addresses the auditor's statutory duties in respect of the audit of the accounts of smaller authorities as set out in the Act and in relevant regulations made by the Secretary of State. Under the Act and supporting regulations, an audit means carrying out the assurance engagement functions of a local auditor in relation to the accounts of the smaller authority:

- in compliance with the relevant parts of this Code; and
- in accordance with any procedures specified in statutory guidance issued by the NAO on behalf of the Comptroller and Auditor General.

6.2 A smaller authority is one whose annual income or annual expenditure is below a financial threshold as prescribed in relevant regulations. The NAO, on behalf of the Comptroller and Auditor General, may provide details of relevant thresholds in statutory guidance to auditors.

Responsibilities of the smaller authority

6.3 A smaller authority is responsible for putting in place arrangements to ensure the proper conduct of their financial affairs and to monitor the adequacy and effectiveness of those arrangements in practice. A smaller authority should maintain proper accounting records and control systems and operate an adequate system of internal audit of those accounting records and control systems.

6.4 A smaller authority should prepare and publish financial statements and related information within an annual return in accordance with proper practices specified by the Secretary of State.

Responsibilities of the auditor (smaller authority assurance engagements)

6.5 Unless the smaller authority is exempt under regulations, or chooses to be treated as a full audit authority in accordance with regulations, the auditor of a smaller authority should undertake a smaller authority assurance engagement. The auditor should meet their responsibility under this engagement by performing specified procedures as set out in statutory guidance to auditors provided by the NAO on behalf of the Comptroller and Auditor General.

Responsibilities of the auditor (additional powers and duties)

6.6 When conducting a smaller authority assurance engagement, or performing work as a consequence of questions or objections from a local elector, the auditor should follow the requirements of Chapter Five – The auditor’s additional powers and duties together with the following elements of Chapter Four of the Code:

- communication on specific elements of the auditor’s work;
- reports in the public interest; and
- written recommendations.

6.7 When considering the exercise of additional powers in relation to matters at smaller authorities, the auditor should have regard in particular to the principle of proportionality in Chapter One, unless they have significant concerns about the way the smaller authority is being managed or led, or they judge that the exercise of additional powers would be in the public interest.

Schedule 1

The auditor's statutory responsibilities

1 Schedule 1 aims to provide an accessible view of auditors' responsibilities. To achieve this, the schedule summarises (rather than reproduces) relevant sections of the Act. The schedule is not intended to be a substitute for consideration of the detailed requirements of the Act itself (see **Schedule 1** table on pages 31 to 34).

Schedule 1

The auditor's statutory responsibilities

Audited bodies other than health service bodies	Statute
Audit scope	
To be satisfied that the accounts comply with the requirements of the enactments that apply to them	Section 20(1)(a) Local Audit and Accountability Act 2014
To be satisfied that proper practices have been observed in the preparation of the statement of accounts and that the statement presents a true and fair view	Section 20(1)(b) Local Audit and Accountability Act 2014
To be satisfied that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.	Section 20(1)(c) Local Audit and Accountability Act 2014
Reporting	
To express an opinion on the accounts	Section 20(2)(b) Local Audit and Accountability Act 2014
To certify completion of the audit	Section 20(2)(a) Local Audit and Accountability Act 2014
Where appropriate, to give an opinion on the part of the financial statements that relates to a pension fund maintained by the authority under regulations under Section 1 of the Public Service Pensions Act 2013	Section 20(3) Local Audit and Accountability Act 2014
To consider whether to issue a report in the public interest	Section 24, Schedule 7 paragraph 1(1) Local Audit and Accountability Act 2014
To consider whether to make a written recommendation to the audited body, copied to the Secretary of State	Section 24, Schedule 7 paragraph 2 Local Audit and Accountability Act 2014
Additional powers and duties	
To give electors the opportunity to inspect and raise questions about the accounts and consider and decide upon objections received in relation to the accounts	Sections 26 and 27 Local Audit and Accountability Act 2014
To apply to the court for a declaration that an item of account is contrary to law	Section 28 Local Audit and Accountability Act 2014
To consider whether to issue an advisory notice or to make an application for judicial review	Sections 29 and 31, Schedule 8 Local Audit and Accountability Act 2014
To comply with the Code of Audit Practice prepared by the Comptroller and Auditor General and approved by Parliament	Section 20(5) Local Audit and Accountability Act 2014
To have regard to any statutory guidance to auditors issued by the Comptroller and Auditor General	Section 20(6) Local Audit and Accountability Act 2014

Schedule 1 *continued*

The auditor's statutory responsibilities

Integrated care boards¹**Audit scope**

To be satisfied that the accounts present a true and fair view, and comply with the requirements of the enactments that apply to them

Statute

Section 21(1)(a) Local Audit and Accountability Act 2014

To be satisfied that proper practices have been observed in the preparation of the accounts

Section 21(1)(b) Local Audit and Accountability Act 2014

To be satisfied that the board has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources

Section 21(1)(c) Local Audit and Accountability Act 2014

To be satisfied that money provided by Parliament has been expended for the purposes intended by Parliament

Section 21(1)(d) Local Audit and Accountability Act 2014

To be satisfied that resources authorised by Parliament to be used have been used for the purposes in relation to which the use was authorised

Section 21(1)(e) Local Audit and Accountability Act 2014

To be satisfied that the financial transactions of the board are in accordance with any authority which is relevant to the transactions

Section 21(1)(f) Local Audit and Accountability Act 2014

Reporting

To express an opinion on the accounts that includes the auditor's view on whether the accounts: (i) present a true and fair view and comply with statutory requirements (ii) have been prepared in accordance with proper practices

Section 21(4) and (5) Local Audit and Accountability Act 2014

The auditor's opinion must include their view on the regularity of the body's income and expenditure, that is to say, that money provided by Parliament has been expended for the purposes intended by Parliament; resources authorised by Parliament to be used have been used for the purposes in relation to which the use was authorised; and that the financial transactions of the group are in accordance with any authority which is relevant to the transactions

Where the auditor is not satisfied that the audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in the use of its resources, the auditor must also refer to this in their report on the financial statements (but only if the auditor is not satisfied)

To certify completion of the audit

Section 21(4)(a) Local Audit and Accountability Act 2014

Where appropriate, to give an opinion on the part of the financial statements that relates to a pension fund maintained by the authority under regulations under Section 1 of the Public Service Pensions Act 2013

Section 20(3) Local Audit and Accountability Act 2014

To consider whether to issue a report in the public interest, copied to NHS England and the Secretary of State

Section 24, Schedule 7 paragraphs 1 & 3 Local Audit and Accountability Act 2014

To consider whether to make a written recommendation to the audited body, copied to NHS England and the Secretary of State

Section 24, Schedule 7 paragraph 2 Local Audit and Accountability Act 2014

To refer the matter to the Secretary of State and NHS England if the auditor believes that the audited body or an officer of the audited body is:

Section 30 Local Audit and Accountability Act 2014

- about to make, or has made, a decision which involves or would involve the body incurring unlawful expenditure;
 - about to take, or has begun to take, a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency
-

Schedule 1 *continued*

The auditor's statutory responsibilities

Integrated care boards *continued***Statute****Additional duties**

To comply with the Code of Audit Practice prepared by the Comptroller and Auditor General and approved by Parliament	Section 20(5) Local Audit and Accountability Act 2014
To have regard to any statutory guidance to auditors issued by the Comptroller and Auditor General	Section 20(6) Local Audit and Accountability Act 2014

NHS trusts and NHS trustees**Statute****Audit scope**

To be satisfied that the accounts present a true and fair view, and comply with the requirements of the enactments that apply to them	Section 21(2A) Local Audit and Accountability Act 2014
To be satisfied that proper practices have been observed in the preparation of the accounts	Section 21(2A) Local Audit and Accountability Act 2014
To be satisfied that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources	Section 21(2A) Local Audit and Accountability Act 2014

Reporting

To express an opinion on the accounts that includes the auditor's view on whether the accounts: (i) present a true and fair view and comply with statutory requirements (ii) have been prepared in accordance with proper practices	Section 21(4) and (5) Local Audit and Accountability Act 2014
Where the auditor is not satisfied that the audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in the use of its resources, the auditor must refer to this in their report on the financial statements (but only if the auditor is not satisfied)	
To certify completion of the audit	Section 21(4)(a) Local Audit and Accountability Act 2014
Where appropriate, to give an opinion on the part of the financial statements that relates to a pension fund maintained by the authority under regulations under Section 1 of the Public Service Pensions Act 2013	Section 20(3) Local Audit and Accountability Act 2014
To consider whether to issue a report in the public interest, copied to NHS England and the Secretary of State	Section 24, Schedule 7 paragraphs 1 & 3 Local Audit and Accountability Act 2014
To consider whether to make a written recommendation to the audited body, copied to NHS England and the Secretary of State	Section 24, Schedule 7 paragraph 2 Local Audit and Accountability Act 2014
To refer the matter to the Secretary of State and notify NHS England if the auditor believes that the audited body or an officer of the audited body is: <ul style="list-style-type: none"> ● about to make, or has made, a decision which involves or would involve the body incurring unlawful expenditure; ● about to take, or has begun to take a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency 	Section 30, Schedule 13 paragraph 13 Local Audit and Accountability Act 2014

Schedule 1 *continued*

The auditor's statutory responsibilities

NHS trusts and NHS trustees *continued***Statute****Additional duties**

To comply with the Code of Audit Practice prepared by the Comptroller and Auditor General and approved by Parliament

Section 20(5) Local Audit and Accountability Act 2014

To have regard to any statutory guidance to auditors issued by the Comptroller and Auditor General

Section 20(6) Local Audit and Accountability Act 2014

NHS foundation trusts**Statute****Audit scope**

To be satisfied that the accounts comply with the directions provided

Schedule 10 paragraph 1(a) National Health Service Act 2006

To be satisfied that the accounts comply with the requirements of all other provisions contained in, or having effect under, any enactment which is applicable to the accounts

Schedule 10 paragraph 1(b) National Health Service Act 2006

To be satisfied that proper practices have been observed in compiling the accounts

Schedule 10 paragraph 1(c) National Health Service Act 2006

To be satisfied that proper arrangements have been made for securing economy, efficiency and effectiveness in the use of resources

Schedule 10 paragraph 1(d) National Health Service Act 2006

Reporting

To express an opinion on the accounts

Schedule 10 paragraph 4(1)(b) National Health Service Act 2006

To certify completion of the audit

Schedule 10 paragraph 4(1)(a) National Health Service Act 2006

To consider whether to issue a report in the public interest and to send any public interest report to the council of governors and board of directors of the trust, and to NHS England

Schedule 10 paragraphs 3 & 5 National Health Service Act 2006

To report to NHS England if the auditor has reason to believe that the audited body (or a director or officer of the audited body) is:

Schedule 10 paragraph 6 National Health Service Act 2006

- about to make, or has made, a decision which involves or would involve unlawful expenditure;
- about to take, or has taken, a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency

Additional duties

To comply with the Code of Audit Practice prepared by the Comptroller and Auditor General and approved by Parliament

Section 20(5) Local Audit and Accountability Act 2014

To have regard to statutory guidance to auditors issued by the Comptroller and Auditor General

Section 20(6) Local Audit and Accountability Act 2014

Note

1 Auditors' responsibilities are unchanged from the previous version of the Code (2020 Code) in respect of a Clinical Commissioning Group.

Schedule 2

Reporting of additional matters by exception

1 Schedule 2 aims to provide an accessible view of auditors' responsibilities. To achieve this, the schedule summarises (rather than reproduces) relevant sections of the Act. The schedule is not intended to be a substitute for consideration of the detailed requirements of the Act itself.

Schedule 2

Audit report: Inclusion of additional matters by exception

Audit reports by exception	Audited bodies other than health service bodies	Type of audited body	
		Health service bodies other than NHS foundation trusts	NHS foundation trusts
Matters reported in the public interest	✓	✓	✓
Written recommendations made to the audited body under Section 24 and Schedule 7 of the Local Audit and Accountability Act 2014	✓	✓	N/A
Application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014	✓	N/A	N/A
Issue of an advisory notice under Section 29 of the Local Audit and Accountability Act 2014	✓	N/A	N/A
Application for judicial review under Section 31 of the Local Audit and Accountability Act 2014	✓	N/A	N/A
Referral to the Secretary of State and to notify NHS England under Section 30 and Schedule 13 of the Local Audit and Accountability Act 2014 ¹	N/A	✓	N/A
Referral to NHS England under Schedule 10 of the National Health Service Act 2006 ¹	N/A	N/A	✓

Note

¹ Where the auditor issues a referral to the Secretary of State under Section 30 of the Local Audit and Accountability Act 2014 or Schedule 10 of the National Health Service Act 2006, the auditor should reference the source of the requirement to report a referral in the audit report on the financial statements.

Schedule 3

The auditor's work on value for money arrangements relating to incomplete audits for bodies other than local NHS bodies

1 This schedule addresses the auditor's statutory duties in respect of the audited body's arrangements to secure value for money through the economic, efficient and effective use of its resources. Schedule 1: The auditor's statutory responsibilities summarises the statutory duties of auditors of the different types of principal body addressed by this Code. The auditor of a body that meets the qualifying conditions of a smaller authority should apply procedures as set out in Chapter Six of this Code, unless the body chooses to be treated as a full audit authority in accordance with regulations made under Section 5 of the Act.

2 **This schedule applies to incomplete audit years prior to 2023-24 that are incomplete at the commencement date and represents a reduction in scope in comparison to Chapter Three.**

Responsibilities of the audited body

3 Local public bodies are required to maintain an effective system of internal control that supports the achievement of their policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at their disposal.

4 As part of the material published with its financial statements, the audited body is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement.

5 In preparing its governance statement, the audited body will tailor the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. While this introduces variation in the detail of what should go into the governance statements for different types of audited body, for most local bodies there is a requirement to provide commentary on their arrangements for securing value for money from their use of resources.

Responsibilities of the auditor

6 Auditors of the different types of local public body covered by the Code have a consistent statutory responsibility in respect of the audited body's use of resources – to satisfy themselves that the audited body:

...has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.¹

7 In practice, this means that the auditor should, having regard to relevant statutory guidance issued by the NAO on behalf of the Comptroller and Auditor General, undertake sufficient work to be able to satisfy themselves as to whether, in the auditor's view, the audited body has put arrangements in place that support the achievement of value for money. In carrying out this work, the auditor is not required to satisfy themselves that the audited body has achieved value for money during the reporting period. However, should evidence of poor value for money come to the auditor's attention during the course of the audit, the auditor should consider the implications of this for their work.

8 The auditor's work should be underpinned by consideration of what arrangements the audited body is expected to have in place. This should be based on the relevant governance code or framework for the type of local public body being audited, together with any other relevant guidance or requirements.

9 The auditor should take into account their knowledge of the relevant sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, are relevant to the auditor's work on value for money arrangements. An understanding of the sector includes the relevant regulatory framework in which the audited body operates.

10 The auditor's work on value for money arrangements should be informed by:

- the audited body's governance statement and any additional reporting by the body on the arrangements it has in place to manage risks to the achievement of value for money through the economic, efficient and effective use of its resources;
- evidence that the audited body's arrangements were in place during the reporting period;
- evidence obtained from the auditor's other work – including previous work on value for money arrangements, work completed as part of the audit of the financial statements and the audited body's response to this work;

¹ Section 20(1)(c) and Section 21(1)(c) Local Audit and Accountability Act 2014 and Schedule 10(1)(d) National Health Service Act 2006.

- the work of inspectorates and other bodies – where the scope and results are relevant to the auditor’s value for money responsibilities. The auditor is not required to quality-assure or re-perform the work of others and may use such work to the extent that, in their judgement, it is appropriate to do so; and
- any other evidence source that the auditor regards as necessary to facilitate the performance of their statutory duties.

11 In relation to incomplete audits up to and including 2019-20, auditors should refer to the 2015 Code of Audit Practice and specifically, should consider arrangements to secure value for money in accordance with Chapter Three of the 2015 Code and report the results of their work on value for money arrangements in accordance with Chapter Four of the 2015 Code and supporting auditor guidance issued by the C&AG. For incomplete audits from 2020-21 up to and including 2022-23, auditors will discharge their responsibility under the Code in respect of arrangements to secure value for money by considering the following:

- **Financial sustainability** – how the body plans and manages its resources to ensure it can continue to deliver its services:
 - how the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
 - how the body plans to bridge its funding gaps and identifies achievable savings;
 - how the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities; and
 - how the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.
- **Governance** – how the body ensures that it makes informed decisions and properly manages its risks:
 - how the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;

- how the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships; and
- how the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee.
- **Other matters that have come to the auditor's attention.**
 - In some cases, in order to be satisfied in respect of bodies' arrangements to secure value for money, auditors may identify a significant risk relating to arrangements falling outside of the criteria specified above, for example evidence of poor value for money as illustrated in paragraph 7. In such cases, the auditor should document their judgement as to whether additional work is required in order to conclude whether a significant weakness exists. However, where no significant risks have been identified that fall outside the scope of this schedule, the auditor is not required to document why they have not considered it necessary to undertake additional work.

12 Determining how much work to do in order to gain sufficient assurance to be able to discharge their duties in relation to arrangements to secure value for money is a matter of auditor judgement. The auditor should clearly document the work they have undertaken and report in accordance with Schedule 4 of this Code. There is no requirement for auditors to document why they have not undertaken work on areas outside of those specified above.

13 Where auditors have begun or already undertaken work that no longer falls under the scope of this schedule, they may still report on it in accordance with Schedule 4.

14 The auditor should keep their risk assessment under continuous review. Where appropriate, the auditor should update their work to reflect emerging risks or findings. The auditor should document any changes to their planned work and ensure these are communicated with the audited body.

15 In reviewing the audited body's value for money arrangements, it is not part of the auditor's function to question the merits of the audited body's policy decisions. However, the auditor may examine the arrangements by which policy decisions are reached and implemented. In making recommendations, the auditor should avoid any perception that they have any role in the decision-making arrangements of the audited body.

16 The auditor's work should be designed to provide the auditor with sufficient assurance to enable them to report to the audited body in accordance with Schedule 4 of this Code and with the specified reporting criteria on the arrangements the body has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

17 Where the auditor identifies significant weaknesses in arrangements as part of their work on arrangements to secure value for money, they should make recommendations where the auditor judges it appropriate to do so setting out:

- their judgement on the nature of the weakness they have identified;
- the evidence on which their view is based;
- the impact on the local body; and
- the action the body needs to take to address the weakness.

18 In relation to incomplete audits up to and including 2022-23, there is no expectation for auditors to make recommendations where they are satisfied the significant weakness has already been addressed by the relevant authority.

Schedule 4

Reporting the results of the auditor's work relating to incomplete audits for bodies other than local NHS bodies

1 This schedule addresses the auditor's statutory duties for reporting the results of their work as summarised within Schedule 1: The auditor's statutory responsibilities. The auditor of a body that meets the qualifying conditions of a smaller authority should apply procedures as set out in Chapter Six of the Code, unless the body chooses to be treated as a full audit authority in accordance with regulations made under Section 5 of the Act.

2 The auditor should report the results of their work using a range of outputs at the appropriate point in the audit process as set out in this chapter. **This schedule applies to incomplete audit years prior to 2023-24 that are incomplete at the commencement date.**

Planning the audit

3 The audit planning report sets out how the auditor intends to carry out their duties in respect of the accounts in accordance with auditing standards. In addition to planned work on the audit of the financial statements, the audit planning report should encompass the auditor's planned work to meet their duties in respect of the audited body's arrangements to secure value for money through the economic, efficient and effective use of its resources. The responsibility for establishing the overall audit strategy and the audit plan rests solely with the auditor. The auditor should discuss their risk assessment and planned approach as set out in the audit planning report with management and with those charged with governance.

Completion of audit fieldwork

4 In support of the completion of their work, and at least annually, the auditor should report to those charged with governance. Reports to those charged with governance should comply with auditing standards and may include any matters the auditor wishes to bring to the body's attention.

Conclusion of the audit

5 In order to promote timely and impactful reporting that supports local bodies to improve and provides appropriate assurance to wider stakeholders, the auditor should report in a way that is consistent with the principles of public reporting set out in Chapter One. To achieve this, the Code requires that the auditor issues the following reports when they have concluded their audit:

- **Audit report on the financial statements** – the audit report should cover the results of the auditor’s work on the financial statements and the basis of their opinion as set out in Chapter Two of the Code. The partner or director who is the relevant engagement lead should sign the audit report with his or her name as well as the name of the firm of auditors. Where the auditor is not satisfied in respect of arrangements to secure value for money, they should refer to this by exception having regard to any associated statutory guidance issued by the C&AG in support of this Schedule.

If the auditor has not completed their planned work on arrangements to secure value for money at the time they issue their audit report on the financial statements, they should include a statement to this effect. The auditor should explain that they have not yet completed sufficient work to determine whether there are significant weaknesses and confirm that they will report the outcome of their work in their commentary on arrangements and in the certificate.

Any significant weaknesses the auditor has identified and reported to those charged with governance up to the point of issuing their audit report on the financial statements should still be reported by exception.

- **Audit completion certificate** – the auditor should certify the completion of the audit. The effect of the certificate is to close the audit. This marks the point when the auditor’s responsibilities in respect of the audit of the period covered by the certificate have been discharged. There may be occasions when the auditor is able to issue the audit report on the financial statements but cannot certify completion of the audit because they are considering an objection made under Section 27 of the Local Audit and Accountability Act 2014. In such circumstances, the auditor should consider whether to issue their audit report ahead of certifying closure of the audit. Where auditors identify significant weaknesses relevant to the year under consideration after issuing the auditor’s annual report, the weakness should be reflected in either the audit report or the certificate as relevant.

Auditor's annual report

6 The auditor's annual report should provide a summary of the position of the audit at the time of issue.¹ A core element of the auditor's annual report will be the commentary in accordance with the specified reporting criteria set out in Schedule 3 (and as supplemented in statutory guidance issued by the NAO). The commentary should be clear, readily understandable and highlight any issues that the auditor wishes to draw to the attention of the body or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily. For audits from 2015-16 to 2019-20, a commentary on arrangements is not required; auditors need only report whether significant weaknesses were identified.

7 For incomplete audits up to and including 2022-23, the auditor may issue a combined commentary as part of a single auditor's annual report. The commentary should focus on any significant weaknesses identified but auditors may include additional information for context where they consider it to be useful.

8 Where the auditor has identified significant weaknesses that have not been addressed by the relevant authority at the time of issuing their auditor's annual report, they should make a recommendation in accordance with paragraph 17 of Schedule 3.

9 Auditors should aim to issue their auditor's annual report containing their commentary on arrangements as soon as they have completed their work on arrangements to secure value for money.

10 The auditor's annual report should also include:²

- confirmation of the status of work on the opinion on the financial statements, including the type of opinion given where it has been issued; and
- (by exception), reference to any reporting by the auditor on a range of additional matters as appropriate. *Schedule 2: Reporting of additional matters by exception* sets out these additional matters and the types of audited body to which each applies.

Other reporting

11 Statement on consolidation schedules – the auditor should provide a statement on whether any schedules or returns the audited body is required to produce for the purposes of preparing consolidated accounts are consistent with the audited body's financial statements for the relevant reporting period. The auditor's statement should refer to any modification of the auditor's opinion on the financial statements.

¹ The auditor's annual report replaced the audit letter from 2020-21.

² Schedule 1 sets out the different reporting requirements that apply to different types of audited body.

Any stage during the audit

12 The auditor should consider whether any matters coming to their attention require them to progress the actions and outputs identified below before the end of the audit:

- Communication on specific elements of the auditor’s work – the auditor should maintain regular communication with the audited body to ensure that emerging findings are raised on a timely basis in the form, and at the level within the audited body, that the auditor judges appropriate.
- Reports in the public interest – the auditor should consider whether, in the public interest, they should report on any matter that comes to their notice so that it is brought to the attention of the audited body and the public:
 - When preparing and issuing reports in the public interest, the auditor should tailor their approach to the urgency and significance of their concerns. The auditor should make a report during the audit if they consider the matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.
 - If the auditor issues a report in the public interest, this should be referred to in the auditor’s annual report.
- Written recommendations – the auditor should consider whether to use the powers Schedule 7 of the Act provides to make written recommendations to the audited body which need to be considered by the body and responded to publicly. Where the auditor considers it appropriate to make such recommendations, these can be made during or at the end of the audit and can be included, where relevant, within other written outputs from the audit or they may be the subject of a specific report to the audited body. Where the auditor makes a recommendation under Schedule 7, they should clearly identify the recommendation as such so as to distinguish it from other, more general, recommendations for improvement that may arise during the audit (or as a result of an objection).

Appendix One

Types of local public body covered by the Code

1 As at April 2024, auditors of the following types of local public body should comply with the Code:

- A county council in England.
- A district council.
- A London borough council.
- A parish council.
- A joint authority established under Part 4 of the Local Government Act 1985.
- A combined county authority
- A Passenger Transport Executive.
- The Greater London Authority (GLA).
- A functional body of the GLA.
- The London Pensions Fund Authority.
- The London Waste and Recycling Board.
- The Common Council (to the extent that it exercises functions in relation to – (a) the collection fund of the Common Council (b) the City Fund or (c) a pension fund maintained and administered by the Common Council under regulations under Section 1 of the Public Service Pensions Act 2013).
- A parish meeting.
- The Council of the Isles of Scilly.
- Charter Trustees.
- A port health authority for a port health district that is wholly in England.
- The Broads Authority.
- A National Park authority for a National Park in England.

- A conservation board established by order of the Secretary of State under Section 86 of the Countryside and Rights of Way Act 2000.
- A police and crime commissioner for a police area in England.
- A chief constable for an area in England.
- The Commissioner of Police for the Metropolis.
- A fire and rescue authority in England constituted by a scheme under Section 2 of the Fire and Rescue Services Act 2004 or a scheme to which Section 4 of that act applies.
- A fire and rescue authority created by an order under Section 4A of the Fire and Rescue Services Act 2004.
- An integrated care board.
- An internal drainage board for an internal drainage district that is wholly in England.
- An economic prosperity board established under Section 88 of the Local Democracy, Economic Development and Construction Act 2009.
- A combined authority.
- A sub-national transport body established under Section 102E of the Local Transport Act 2008.
- Any person or body exercising functions in relation to an area wholly in England or partly in England and partly in Wales – (a) which was originally subject to audit provisions contained in an enactment passed before the Audit Commission Act 1998, and (b) to which the audit provisions of that act applied by virtue of paragraph 4(1) or 7 of Schedule 4 to that act immediately before the repeal of Section 2(1) of that act by this Act.
- An NHS foundation trust.
- An NHS trust, all or most of whose hospitals, establishments and facilities are situated in England.
- Trustees for an NHS trust (appointed under paragraph 10 of Schedule 4 to the NHS Act 2006), if the trust of which they are trustees is not a charitable trust.
- The auditor of any local public body not listed above which, by enactment, is required to comply with the Code.

Glossary

Term	Definition
Accounting standards	Accounting standards are authoritative statements of how transactions and balances are to be recognised, measured, presented and disclosed in financial statements.
Auditing standards	Standards, issued by the relevant regulatory body, which auditors are required to comply with when conducting an audit of the financial statements.
Audit letter	A report produced by the local auditor under the 2015 Code and which local public bodies are required to publish.
Auditor	A firm appointed to audit a body covered by the provisions of the Local Audit and Accountability Act 2014.
Auditor's annual report	A report produced each year by the local auditor that summarises the work they have undertaken on the audit, their findings and any recommendations. Local public bodies are required to publish it to comply with the Accounts and Audit Regulations.
Code (the)	The Code of Audit Practice issued by the Comptroller and Auditor General and approved by Parliament.
Consolidated accounts	Financial statements of a group in which the assets, liabilities, reserves, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity. Consolidated accounts are also known as group accounts.
Corporate governance	The system of structures, rights, duties and obligations by which organisations are directed and controlled.
Engagement lead	This is the person who has primary responsibility for the audit – often referred to as the key audit partner.
Enhanced auditor reporting	In addition to giving their opinion on the financial statements, the auditor also includes other information, including the scope of their work, the audit risks they have identified and how they have responded to them.
Ethical standards	Standards of conduct issued by the relevant regulatory body, intended to maintain integrity, independence and objectivity that auditors are required to comply with when conducting their work.

Term	Definition
Financial statements	Statements that audited bodies are required to prepare setting out what they spend and receive and what they own and owe. For the purpose of providing the auditor's opinion, the Code interprets relevant references in the Act to the 'statement of accounts' and the 'accounts' in respect of the general duties of auditors as equivalent to 'financial statements'.
Full audit authority	A smaller authority which has decided not to be subject to the 'smaller authority assurance' arrangements set out in Chapter Six of the Code.
Governance statement	Audited bodies are required to prepare a governance statement alongside their financial statements. It brings together in one place an audited body's disclosures about its governance framework, including risk management and internal control, and how this has operated during the year.
Group accounts	See definition of consolidated accounts above.
Have regard to	The Code and the Act requires the auditor to 'have regard to' statutory guidance provided by the National Audit Office on behalf of the Comptroller and Auditor General. This means that the auditor must take into account the guidance, and if they decide not to follow it, they must give clear (in the sense of objective, proper, and legitimate) reasons within audit documentation as to why they have not followed the guidance.
Inspectorates and other bodies	Bodies that have responsibilities for the inspection, regulation or oversight of audited bodies – for example, Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services and the Care Quality Commission. This also includes relevant bodies that perform external challenge or improvement activities.
Principal body	A body that is covered by the Code and does not meet the criteria of a smaller authority – as prescribed in the Local Audit and Accountability Act 2014 (subject to amendment by regulations made by the Secretary of State).
Professional standards	In the context of the Code, professional standards comprise auditing standards, ethical standards and quality control standards.
Quality control standards	International Standard on Quality Control 1 issued by the International Auditing and Assurance Standards Board (IAASB) and as may be amended or replaced by the IAASB from time to time, and any other relevant standards with which auditors are required to comply.
Recognised supervisory body	Professional accountancy bodies recognised under Schedule 10 of the Companies Act 2006 (as applied by Schedule 5 of the Local Audit and Accountability Act 2014) as responsible for licensing, registering and monitoring the work of the auditor and for supervising the conduct of their members.
Regulations	Secondary legislation made by the Secretary of State using powers conferred by an act of Parliament.

Term	Definition
Remuneration report	A remuneration report provides details of senior managers' salary, pension and other benefits.
Report by exception	Reporting only when information or the results of the auditor's work are materially inconsistent with their understanding of the body or the requirements placed on the body.
Should	The Code of Audit Practice has been approved by Parliament. It has the status of secondary legislation and auditors' compliance with the Code is mandatory. The use of 'should' highlights a specific requirement placed on the auditor within the Code.
Significance	The concept of 'significance' applies to the auditor's wider responsibilities that are not addressed by the auditor's assessment of materiality for the audit of the financial statements. A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.
Smaller authority	<p>Defined in the Local Audit and Accountability Act 2014, and the Accounts and Audit Regulations 2015, the key condition is met for an authority in a financial year if the higher of the authority's gross income and gross expenditure for the year does not exceed £6.5 million.</p> <p>This threshold is subject to amendment in regulations by the Secretary of State.</p>
Those charged with governance	The persons with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process.
Value for money arrangements	<p>Arrangements that an audited body puts in place to secure the achievement of value for money, that is to say, making the best use of its resources through:</p> <ul style="list-style-type: none"> ● economy – careful management of resources, keeping costs as low as possible, but consistent with achieving objectives; ● efficiency – obtaining an optimal relationship between the resources used and the outputs/impacts achieved; and ● effectiveness – achieving alignment between intended and actual outcomes.
Whole of Government Accounts	The Whole of Government Accounts are the consolidated financial statements for the whole of the UK public sector, showing what the UK government spends and receives, and what it owns and owes.



National Audit Office