National Audit Office

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Reference FOI-1910
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NATIONAL LOANS FUND

I am writing to you in response to your Freedom of Information (FOI) requests regarding the treatment of the National Loans Fund in the Whole of Government Accounts (WGA) 2023-24[1].

I note that in your email dated 18 February to Joy Otache you stated:

'For the avoidance of doubt, my objective is a clear statement of what recorded information the NAO holds describing its audit treatment/approach to the NLF within WGA 2023–24, and whether any recorded high-level issues/queries exist outside of personal data or protected working papers.'

As the Director responsible for the audit of the WGA 2023-24, I may be able to offer insight beyond the constraints of the FOI searches to better explain our audit approach and consequently what information we hold on our approach to the NLF within the WGA 2023-24.

The NAO audits the WGA under International Standards in Auditing (ISAs), with the Comptroller and Auditor General (C&AG) giving his opinion on the truth and fairness of the WGA financial statements.

As you are aware, the WGA is a group audit, consolidating the information from over 10,000 public sector organisations. As we are giving an opinion on the WGA group, the relevant ISA that we plan and execute our audit in line with is ISA 600[2].

Paragraph 24-27 of ISA 600 instructs the auditor how to design and implement responses to address the risks of material misstatement in the group accounts. In summary, it directs us to identify what components are signficiant to the group by virtue of their financial significance (paragraph 26) and their risks (paragraph 27) and then to plan our audit response in relation to such identified significant components.

In our first FOI response, the excerpts we sent over to you show the NLF sections of the analysis we undertook in response to paragraph 26 and 27 and confirms that during our audit planning we identified the National Loans Fund as being a significant component in the WGA due to it being financially significant.

[1] WGA_2023-24_accounts.pdf

[2] ISA (UK) 600_Revised November 2019 Note that this ISA has recently been updated, however this version was relevant to the financial year 2023-24.

I would note that the C&AG disclaimed his opinion on the WGA 2023-24, meaning that due to the issues explained in his certificate and report (namely the quantum of missing and unaudited data in the English Local Government sector) he was unable to obtain sufficient and appropriate audit evidence to form the basis of an audit opinion. The C&AG's certificate and report can be found from page 288 of the WGA 2023-24.

I can confirm that in responding to your requests, we conducted the searches in all of our working papers for the terms set out in your FOI requests and that we shared with you all the information that these searches returned. Further information regarding your requests in your email of 18 February can be found in the Annex below.

We have likewise conducted searches for the additional requests in your email of 18 February. We conducted a thorough review of all the repositories as set out in the Annex and can confirm that there are no further references to the NLF to share. Note we have not restricted our search in any regards.

I hope this explanation is helpful and you are happy with the way we have handled your request. If you are not happy with this response, you can ask for an internal review within 40 working days by writing to the NAO FOI Team at FOI@nao.org.uk. If you are not content with the outcome of the internal review, you have the right to apply directly to the Information Commissioner for a decision. The primary way of escalating your concerns to the Information Commissioner is at: https://ico.org.uk/foicomplaints.

Yours sincerely

Financial Aduit Director

Annex

A) "Not held" (parts 2 and 3) — scope and search assurance

1. **Please confirm precisely what locations were searched (e.g., audit file(s) for WGA 2023–24, relevant engagement folders, correspondence repositories, and any central risk/issue logs), and the date range applied.**

   The WGA audit file for 2023-24 was reviewed in its entirety. This encompasses all the work done on the audit of the 2023-24 financial statements and the evidence required to support the audit opinion, regardless of the date this work was completed. This file includes, but is not limited to;

   - All reports to management (management letters, planning reports, update reports, completion reports)
   - All our audit query logs (which include those shared with HMT and those used internally)
   - All review points raised during review of the audit file by the engagement lead, manager and/or director
   - Our documentation of significant judgements on the audit and, if relevant, consultation with our technical teams
   - Our work on all the significant risks on the audit whether those arise from the consolidation process itself or are risks that are escalating to the group from individual components
   - Internal briefing documents

The engagement manager and engagement director conducted searches off all work programmes/folders in the audit and all attachments. Note – we did not restrict our search to documents deemed unlikely to inform the public: we searched all documents.

The engagement manager and engagement director also searched their inboxes and the Sharepoint folder used to store documentation for the WGA 2023-24 audit.

2. **Please confirm the key search terms used and whether searches included common variants (e.g., “National Loans Fund”, “NLF”, “WGA”, “intra-government”, “elimination”, “offsetting”, “balances”, “reconciliation”, “liabilities persistence”, “unattributed liabilities”, “audit query”, “management letter”, “points for attention”, “issues log”).**

As per the original request, the terms used were;

- National Loans Fund
- NLF
- Persistence of debt
- Persistence
- Length of debt
- Repayment of debt
- Attribution of liabilities

As noted above, all audit documents were searched for these terms (including but not limited to all query logs, all reporting to management, all review points on the audit, and all internal briefing documents. All references to the NLF were extracted.

One reference to a long-standing judgement about the non-elimination of gilts held by pension schemes was identified as being relevant. The judgement and the internal email from the technical team agreeing with this judgement was shared, with individual’s email addresses redacted.

(**For reference your original FOI request was;**

Please disclose any recorded information held (including summaries, management letters, or formal audit correspondence) that evidences whether the NAO has raised any audit observations, concerns, or queries relating to:

- *the persistence of liabilities recorded to the National Loans Fund, and/or*
- *the absence of individual or beneficiary-level attribution for such liabilities.*

As noted in section 1, we went beyond this and felt comfortable conducting a search of all of our working papers, documents, evidence and emails relating to the 2023-24 WGA. The already returned information is the summary of searching all of those repositories and was not limited to summaries, management letters and formal audit correspondence).

3. **If the NAO holds no recorded information evidencing any audit observations/queries of the type described in parts 2–3, please confirm explicitly whether that is because (i) no such observations/queries were raised, or (ii) they may exist but would be captured only in audit working papers (which my request expressly did not seek).**

We can confirm that it was because (i) no such observations exist.