



## Auditor Guidance Note 5 (AGN 05)

### NHS Audit Planning

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#### About Auditor Guidance Notes

Auditor Guidance Notes (AGNs) are prepared and published by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General (C&AG) who has power to issue guidance to auditors under Schedule 6 paragraph 9 of the Local Audit and Accountability Act 2014 (the Act).

AGNs set out guidance to which local auditors must have regard under Section 20(6) of the Act. The guidance in AGNs supports auditors in meeting their requirements under the Act and the *Code of Audit Practice* published by the NAO on behalf of the C&AG.

The NAO also prepares and publishes Supplementary Guidance Notes (SGNs) under Schedule 6 paragraph 9 of the Act. SGNs are prepared and published when the C&AG wishes to address a particular issue. SGNs are part of the full suite of AGNs which as such constitute guidance to which local auditors must have regard under Section 20(6) of the Act.

The NAO issues Weekly Auditor Communications (WACs), and less frequently Special Auditor Communications (SACs) to local auditors to bring to their attention relevant information to support them in carrying out audit work. Whilst these are for information, they may draw attention to guidance that has been issued by the NAO on behalf of the C&AG in AGNs to which, as stated above, auditors must have regard. The NAO may also use SACs to clarify expectations in relation to interpretation of specific issues.

The firms that are local auditors under the Act may use these communications to update their own internal communications and reference tools.

The interpretations and guidance on auditing standards set out in [Practice Note \(PN\) 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom, \(Revised 2024\)](#) are relevant to the work undertaken under the Code. Therefore, the C&AG's expectations on how auditors approach their audit of the financial statements is based upon the principles and guidance set out within PN 10.

AGNs are numbered sequentially and published on the NAO's website. Any new or revised AGNs are brought to the attention of local auditors through the WACs.



The NAO prepares Auditor Guidance Notes (AGNs) solely to provide guidance to local auditors in interpreting the Code of Audit Practice made under the Local Audit and Accountability Act 2014. The contents of AGNs cannot be reproduced, copied or re-published by parties other than local auditors without permission from the NAO.

The AGNs are designed to assist local auditors in forming their own understanding of the requirements of the Code. Auditors are required to have regard to AGNs, which means that they must take into account the guidance issued by the NAO, 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. AGNs are in no way intended as a substitute for the exercise of the independent professional skill and judgement of a local auditor in deciding how to apply the NAO's guidance or when providing explanations as to why guidance has not been followed.

Local auditors should not assume that AGNs are comprehensive or that they will provide a definitive answer in every case.



AGN 05 is relevant to all local auditors of health bodies covered by the Local Audit and Accountability Act 2014 and the *Code of Audit Practice* including auditors of NHS foundation trusts. Guidance on auditors' work on value for money arrangements and on reporting is published in AGN 03 and AGN 07 respectively.

## Introduction and context

The guidance within this document is prepared to assist auditors in meeting their responsibilities as the statutory auditor of local health bodies, under the *Code of Audit Practice* (the Code). This AGN sets out guidance for auditors to support planning work on audits of financial statements of local health bodies.

As part of their planning process, audit teams identify changes to accounting requirements drawing on any relevant technical briefings prepared by their firms. This guidance is not intended to replace auditors' own procedures.

Local auditors are also component auditors. The NAO group audit teams issue group instructions which local auditors need to follow. The group instructions set out requirements for local auditors to assist the NAO group audit teams in meeting their responsibilities supporting the C&AG as the statutory auditor of the bodies of which local health bodies are components. *ISA (UK) 600 (Revised September 2022) Special Considerations – Audits of Group Financial Statements Including the Work of Component Auditors* is effective for audits of group financial statements for periods beginning on or after 15 December 2023 (the 2024-25 audit cycle). The standard drives the auditor's approach to auditing the group financial statements, with a particular focus on the following areas:

- Risk Assessment
- Quality management in an audit of group financial statements
- Understanding the group and its environment, the applicable reporting framework and the Group's System of Internal Control
- Using the work of component auditors

The aims of the revised standard are to:

- Clarify the scope and applicability of ISA (UK) 600
- Embed the principles of the revised quality management standards into the delivery of the audit of group financial statements
- Focus the group engagement team's attention on the identification and assessment of risk of at the group financial statement level and emphasising the importance of designing and performing appropriate procedures to respond to those risks.
- Increase requirements for robust communications between the group engagement team, the group engagement partner and component auditors.

The key impacts of the revised standard are:

- A revised top-down approach to group risk assessment, which may mean assurance being required of a different profile of components.
- Greater involvement from the group engagement team in component auditors, taking a quality management perspective on the work of the component auditor.
- A clearer workflow employed by the auditor when performing a group audit.

It is therefore expected that the revised standard will lead to more components being scoped-in for consideration as part of the group audit. This means that the NAO group auditor will be selecting a sample of entities and reviewing the auditor's working papers.

### Regularity

Auditors are reminded that whilst, the regularity opinion is not required for an NHS trust or NHS foundation trust, they should consider any requirements set out in the group audit instructions issued *under ISA (UK) 600 (Revised September 2022) Special Considerations – Audits of Group Financial Statements Including the Work of Component Auditors* to support the NAO's group audit assurance over the regularity opinion.

### C&AG reporting on the Department of Health & Social Care

The C&AG qualified the [Department of Health & Social Care's \(DHSC\) annual report and accounts 2023-24](#) on 13 December 2024 due to the effect of prior year qualifications on comparative figures that related to the UK Health Security Agency (UKHSA) and DHSC's management of its inventory balances. The C&AG's report on DHSC's annual report and accounts provides:

- Further explanation on the 'true and fair' qualification on prior year comparatives;
- an update on the governance, oversight and control issues at UKHSA;
- and overview of group governance and Departmental oversight including timeliness of accounts production and auditor reporting across the sector; and
- the worsening financial position within NHS providers and the re-emergence of switching capital budgets to cover day-to-day spending.

The C&AG issued an unqualified opinion on [NHS England's annual report and accounts 2023-24](#) on 7 October. The C&AG's report on the annual report and accounts provides further explanation on the following:

- Ineligible suspension payments to medical practitioners that led to a qualified regularity opinion in prior years. The C&AG sets out why the regularity opinion was not qualified in 2023-24; and
- timeliness of local auditor reporting of commissioners.

The C&AG issued an unqualified opinion on the [Consolidated Provider Account 2023-24](#) on 22 November and gave an unqualified opinion. The C&AG's report on the annual report and accounts includes an explanation of the impact of delays with NHS producing audited accounts and timeliness of local auditor reporting. It also highlights ongoing governance weaknesses regarding special severance payments within NHS providers with further instances where payments had not gone through the necessary HM Treasury approvals process and therefore not in accordance with Managing Public Money.

The NAO's first report on [NHS backlogs and waiting times in England](#) shows that the performance against these was deteriorating before the COVID-19 pandemic and worsened since it began. The NAO's second report on [Managing NHS backlogs and waiting times in England](#), November 2022, stated that activity in 2022 had continued to lag behind the pre-pandemic level and was well below the planned trajectory. The government announced a multi-year funding settlement in September 2021, which included £8 billion to support the recovery of elective care in the three years to 2024-25. The NHS's funding package is being eroded by inflation, so that its overall funding up to 2024-25 is set to grow more slowly than the long-term average in real terms. The report sets out concerns that the 129% activity target and the target to eliminate all waits of longer than 52 weeks by 2025 are at serious risk of not being achieved. There are significant threats to the recovery, including the effects of strain on the workforce, uncertainties about whether new initiatives will be able to deliver results as quickly as NHS England needs them to, and the pressures elsewhere in the NHS and adult social care. In response to the NAO's report, the Public Accounts Committee published its report [Managing NHS backlogs and waiting times](#) which included a series of recommendations to DHSC and NHS England including the level of cancer waiting times; the circumstances in which the NHS would be trying to recover elective and cancer care; funding for elective recovery; the effectiveness of elective recovery programme initiatives; NHS England's programme management of the recovery; and plans for the future of the workforce and capacity of adult social care.

The NAO's report on [Access to unplanned or urgent care](#), June 2023 gives a factual overview of NHS services that may be used when people need rapid access to urgent, emergency, or other non-routine health services, and whether such services are meeting the performance standards the NHS has told patients they have a right to expect. More people than ever before are receiving unplanned and urgent NHS care every day. To support these services, the NHS is spending increasing amounts of public money and employing record numbers of people. Nevertheless, patients' satisfaction and access to services have been worsening,

suggesting there is no single, straightforward solution to improving what is a complex and interdependent system. NHS England's recovery plan for urgent and emergency care aims to improve services by March 2024. The long-term trends in workforce, activity, spending and performance indicate this will be a significant challenge. The Public Accounts Committee [reported](#) there are "significant assumptions and uncertainties" attached to DHSC and NHS England's plans. NHS England's [workforce plan](#) maps out NHS staff requirements for the next 15 years, but only has funding of £2.4 billion confirmed by government to cover the costs of training in the first five years.

The NAO's report [Introducing Integrated Care Systems: joining up local services to improve health outcomes](#) provides an overview of integrated care systems (ICSs) introduced into legislation by the Health and Care Act 2022. The report describes their structure, objectives, and governance arrangements; an overview of the positions that ICSs are starting from, in terms of finances, staffing and activity levels, and some of the wider challenges facing the health and care sector; and an examination of government's efforts to improve population health through better integration and a focus on prevention, and an assessment of ICSs' prospects for success this time. Following this report, the Public Accounts Committee published its report [Introducing Integrated Care Systems](#) setting out conclusions and recommendations regarding the benefits for patients from the move to ICSs; critical shortages across the NHS workforce; workforce challenges in social care; differences in funding and accountability arrangements between the NHS and social care; and capital investment in the NHS and the condition of the NHS estate.

The NAO's report [Progress with the New Hospital Programme](#), July 2023 examines whether the programme is being managed in a way that is likely to achieve value for money. DHSC launched the New Hospital Programme (NHP) at a time when hospital construction was badly needed after years of underinvestment and in the context of a large maintenance backlog. The programme has innovative plans to standardise hospital construction and, based on experience elsewhere, there is reason to believe that these could deliver efficiencies. However, the October 2020 public commitment to construct a list of specific schemes and the target of building 40 new hospitals by 2030 were announced in the absence of key decisions about NHP's funding and approach to construction. Until 2023, DHSC was unable to secure agreement from the Major Projects Review Group about NHP's approach to building future hospitals and the scale of capital funding it would need for the programme's crucial last six years, when most new hospitals are to be delivered. It is unsurprising that when government finally took decisions, it required major changes to NHP's scope. Some of the changes will solve pressing problems for DHSC and NHS England, such as the inclusion of all seven entirely reinforced autoclaved aerated concrete hospitals within NHP. But some schemes publicly promised in 2020 now face substantial delays and will not be completed by 2030, inevitably with implications for patients and clinicians. By March 2023, DHSC had spent around £1.1 billion on NHP and the schemes it oversees. Delivery to date has been slower than expected, both on individual schemes and on NHP's

central activities, in particular developing Hospital 2.0. Government has not achieved good value for money with NHP so far. The Public Accounts Committee [reported](#) it has no confidence that Government will deliver the new hospitals it promised.

The NAO's report [NHS financial management and sustainability 2024](#) concludes that the scale of challenge facing the NHS today and foreseeable in the years ahead is unprecedented. Following the statutory introduction of ICSs in 2022, the NAO concluded that they needed time and capacity to build relationships and design services that could better meet local needs. While some transformation is occurring, the pace of change has been slow as ICSs struggle to manage the day-to-day pressures of elective recovery following the pandemic, continual rising demand for NHS services, and significant workforce and productivity issues. As they are statutorily required to do, NHS England and NHS systems have prioritised trying to live within their allocated funding. But, despite great in-year efforts to do so – some of which privilege the short term at the expense of the long term – an increasing number of NHS bodies have been unable to break even. Considering how the health needs of the population look set to increase, the report sets out concerns that the NHS may be working at the limits of a system which might break before it is again able to provide patients with care that meets standards for timeliness and accessibility. The Public Accounts Committee published its report [NHS financial sustainability](#) which highlights concerns over the lack of ambition and drives for change where the financial position continues to worsen and calls for a 10 year plan to ensure funding is allocated to prevention, community health-care and digital technology.

When considering the planning issues highlighted in this AGN, auditors should be mindful that audits under the Code of Audit Practice are integrated. Auditors should therefore consider the extent to which any issues highlighting risks to the opinion on the financial statements, or which suggest that non-standard reporting may be necessary and, any work required to inform their commentary on arrangements to secure value for money under AGN 03.

Auditors should also consider whether it is appropriate to draw particular attention to any issues arising from their work under AGN 03 or AGN 05 by exercising their additional public reporting powers, such as making statutory recommendations or issuing public interest reports. Further guidance on relevant considerations when exercising additional powers can be found in AGN 04.

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## Section 1: Accounting Manuals and Financial Reporting

### Accounts Directions

What are the issues?

1. The Department of Health and Social Care (DHSC) is required to issue accounts directions to NHS trusts. The accounts directions are included in Chapter 2, Annex 4 of the 2024-25 Group Accounting Manual (GAM).
2. NHS England is required to issue directions to Integrated Care Boards (ICBs) in respect of their annual report and accounts. The accounts directions will be published on NHS England's SharePoint site. The NAO will highlight relevant guidance published on SharePoint via weekly communications and include on the LACG extranet.
3. NHS England issues the directions to foundation trusts, which will be issued with the Annual Reporting Manual for foundation trusts (FT ARM).

Why is this important?

4. The accounts directions set out instructions, in accordance with legislation, that health service bodies must comply with. The directions cover:
  - the method and principles for the preparation of accounts including compliance with HM Treasury's Financial Reporting Manual (FRM) and the GAM;
  - submission of the draft accounts; and
  - submission of the audited accounts.

What should auditors do?

5. Auditors should be aware of the accounts directions for the audited body, to support their audit planning work under *ISA (UK) 300 (Revised June 2016) (Updated May 2022) Planning an Audit of Financial Statements*, and *ISA (UK) 250 (Revised November 2019) (Updated May 2022) Section A – Consideration of Laws and Regulations in an Audit of Financial Statements*.

## Group Accounting Manual 2024-25

What are the issues?

6. DHSC issued the [2024-25 Group Accounting Manual \(GAM\)](#) on 7 August 2024, following a consultation exercise. The GAM provides a single mandatory accounting document for the whole of the departmental group. The main areas of change and the responses received in response to DHSC's consultation on the GAM are set out [here](#).
7. The GAM includes guidance on the completion of annual reports for NHS trusts and ICBs. The Annual Reporting Manual for foundation trusts provides guidance for the completion of foundation trusts' annual reports only.
8. Additional appendices are included within the GAM where there are additional sector specific reporting requirements. Additional appendices provide supplementary guidance for ICBs, NHS trusts and foundation trusts in the relevant chapters of the GAM.
9. The GAM will be supplemented as necessary by additional guidance over the course of the year. Updates will be posted to the DHSC GAM area of '[gov.uk](#)'. All content issued in this way should be treated as having the same status as the manual.
10. Guidance relevant to ICB accounts completion in the NHS England Group 'Integrated Single Financial Environment' (ISFE) will be issued on the NHS England SharePoint. Each of the audit firms has access to this site. Additionally, the NAO will highlight relevant guidance published on SharePoint via weekly communications.
11. A detailed accounts submission process, showing deadlines and procedures for handling statutory accounts and summarisation schedules is available on DHSC's [website](#).
12. The Code requires local auditors to 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." The C&AG's report on accounts for the Department, NHS England and Consolidated Provider Account highlights there has been an improvement in the timeliness of the completion of NHS providers' and ICB's audits in 2023-24 compared to 2022-23 but there remains some risk in the delivery of 2024-25 NHS local audits due to the wider local audit system issues and significant delays in local government audits as the auditors work to clear this backlog.

### Why is this important?

13. NHS trusts, foundation trusts, and ICBs are required to produce their annual accounts in line with the GAM issued by DHSC and in accordance with the submissions timetable.

### What should auditors do?

14. Auditors should familiarise themselves with the content of, and changes to, the 2024-25 GAM to support their audit planning work under *ISA (UK) 300 (Revised June 2016) (Updated May 2022) Planning an Audit of Financial Statements*, and *ISA (UK) 315 (Revised July 2020) Identifying and Assessing the Risks of Material Misstatement*.

15. When considering going concern, auditors should refer [to SGN/01 Going Concern – Auditor’s responsibilities for local public bodies](#). The GAM states in paragraphs 4.22 to 4.24:

*“Where an entity ceases to exist, it must consider whether or not its services will continue to be provided (using the same assets, by another public sector entity) in determining whether to use the concept of going concern in its final set of financial statements. While an entity will disclose its demise in various areas of its Annual Report and Accounts such as in the Performance Report and cross reference this in its going concern disclosure, this event does not prevent the accounts being prepared on a going concern basis or give rise to a material uncertainty in relation to the going concern of the entity. DHSC group bodies must therefore prepare their accounts on a going concern basis unless informed by the relevant national body or DHSC sponsor of the intention for dissolution without transfer of services or function to another entity.”*

16. Auditors should note the submission dates within the [DHSC timetable](#) for audited NHS trust, foundation trust, and ICB accounts and consider the impact on their resource planning for the audit of the financial statements.

17. Auditors of ICBs, NHS trusts and foundation trusts do not make submissions but are required to ensure that all relevant documents and signed statements are provided to bodies in reasonable time to enable them to meet submission deadlines.

18. Although the NAO will bring auditors’ attention to other relevant guidance and the submissions timetable, auditors may also wish to establish arrangements to obtain copies locally.

## New Accounting Standards

### What is the issue?

19. IFRS 17 *Insurance Contracts* is effective for accounting periods on or after 1 January 2023 and will be adopted by the FreM and GAM from 1 April 2025.

20. The new standard sets clearer expectations on the recognition, classification and measurement of assets and liabilities in relation to insurance contracts. The scope of the standard covers insurance contracts issued and re-insurance contracts issued or held. An insurance contract is defined as:

*“A contract under which one party (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.”*

### Why is this important?

21. NHS providers and commissioners will be required to make a pre-implementation transition disclosure in their 2024-25 accounts. This will include the fact IFRS 17 will be effective next year and any known or reasonably estimable information relevant to assessing the possible impact of the standard will have.

22. Bodies should consider if in their normal course of business they provide any insurance contracts and consider what systems and reporting may be required to manage the change in accounting policy.

23. Whilst implementation of IFRS 17 is not until 2025-26, it will require full restatement of the prior year balances and will therefore involve preparatory work. HMT have considered the application of IFRS 17 in the public sector and accordingly have made some interpretations and adaptations which can be found in the [application guidance](#). DHSC has also produced some [training materials](#) on the new standard and implementation tools and materials to support entities in reviewing and considering the contracts that they have for evidence of insurance activity. NHS bodies should therefore:

- Review existing contracts for insurance components
- Document this review ready for audit committees and external audit
- Update business processes to ensure new contracts are reviewed for insurance components.

What should auditors do?

24. Auditors should discuss with their bodies the implications of new standard and what bodies are doing to prepare for implementation in 2025-25 as well as transition disclosure requirements for 2024-25.

## Annual Report

What is the issue?

25. NHS bodies are required to publish a single document containing the annual report and accounts.

26. Guidance for the preparation of the annual report for ICBs and NHS trusts is included in Chapter 3 of the DHSC GAM. Guidance for foundation trusts is included in the 2024-25 FT ARM.

27. The GAM has also been updated under Chapter 3: Annex 5 and paragraph 3.37 to reflect the requirements of Phase 2 of the Task Force on Climate-related Financial Disclosures (TCFD) required in 2024-25. The requirements include a focus on qualitative disclosures and quantitative disclosure with less technical requirements to those required from 2025-26. Both providers and commissioners will be required to provide a TCFD Compliance Statement and the recommended disclosures for governance; risk management; and metrics and targets on a comply or explain basis. Risk management disclosures must describe the body's processes for identifying, assessing, and managing climate-related risks, and how these are integrated into overall risk management. Phase 2 also requires assessing whether climate change is a principal risk.

Why is this important?

28. Certain elements of the annual report are subject to audit as set out in paragraph 3.46 of the GAM and corresponding paragraphs of the FT ARM. These comprise:

- single total figure of remuneration for each director;
- CETV disclosures for each director;
- payments to past directors, if relevant;
- payments for loss of office, if relevant;
- 'fair pay' disclosures set out in paragraphs 3.106 to 3.124 of the GAM (further guidance is set out within the Hutton [Fair Pay Disclosures – Implementation guidance \(Revised 2021\)](#));

- exit packages, if relevant and noting that the disclosure is for those exit packages agreed in year, irrespective of the actual date of accrual or payment; and
- analysis of staff numbers and costs.

29. Auditors are also required to review the information within the annual report for consistency with other information in the financial statements. Paragraph 3.30 of the DHSC GAM requires that auditors are required to read the information in the annual report and refer to this in their audit report. Paragraph 3.31 of the GAM therefore requires NHS bodies to submit the draft annual report to auditors to allow them sufficient time to undertake their review.

30. Paragraphs 3.473 and 3.126 to 3.127 of the DHSC GAM requires that NHS bodies include the audit report within the Accountability Report.

31. Paragraph 3.132 of the GAM sets out a number of disclosures that are required to be included in the Parliamentary Accountability Report. NHS providers and commissioners are not required to produce a Parliamentary Accountability Report but have the option to include these disclosures in the Annual Report. Where the NHS body elects not to do this, it must, in accordance with paragraph 3.129, include the disclosures on remote contingent liabilities, losses and special payments, gifts, and fees and charges as notes within its financial statements.

32. Paragraph 2.85 of the GAM includes expanded guidance regarding the applicability of HM Treasury's Managing Public Money to all DHSC group bodies and the requirements for obtaining prospective HM Treasury approvals. This includes, but not limited to, approvals for novel, contentious or repercussive expenditure - including certain losses or special payments such as special severance payments. In 2020-21 HM Treasury reset the delegated authority limit for DHSC bodies to £95,000. NHS England has set out in a previous [letter to the sector](#) the requirements for approvals where HM Treasury approval is required for proposed special payments that are either (i) above £95,000 and/or (ii) considered potentially novel, contentious or could cause repercussions elsewhere in the public sector.

33. Prior to discussing with an individual or making any special severance payment to an individual, ICBs, trusts and FTs must follow [HM Treasury guidance](#) on special severance payments and pre-approval must be sought. The limit for approvals of special severance payments is £zero. The same threshold applies to disclosure of these payments in the annual report and accounts.

34. The C&AG has [reported](#) that NHS providers made 51 special severance payments, at a cost of £916,000 in 2023-24, five of which totalling £180,868 were not approved by HM Treasury at the time of the C&AG's report.

35. While most NHS bodies follow the correct procedures when proposing to enter into a special payment arrangement, some NHS bodies are not following the requirements set by HM Treasury.

What should auditors do?

36. Auditors should familiarise themselves with the guidance for the annual report in the DHSC GAM. The NAO will bring auditors' attention to other relevant guidance issued by DHSC and NHS England as it is implemented.

37. Auditors should engage in early discussions with their NHS bodies to ensure the body includes and publishes the required information in accordance with relevant guidance.

38. Auditors should be aware of the approval process and HM Treasury severance payments guidance in force set out in paragraphs 33 to 34 above.

## NHS Foundation Trust Annual Reporting Manual 2024-25

What is the issue?

39. NHS England issues the FT ARM that provides guidance to foundation trusts on the completion of the annual report. Foundation trusts are required to complete their accounts in accordance with the GAM. The FT ARM is available on NHS England's financial accounts and reporting updates page [here](#).

40. The requirements of Phase 2 of the Task Force on Climate-related Financial Disclosures set out in paragraph 27 above are also included within the FT ARM.

Why is this important?

41. The FT ARM outlines the process foundation trusts should follow when producing and submitting their annual report.

What should auditors do?

42. Auditors should familiarise themselves with the content of, and any changes to, the 2024-25 FT ARM to support their audit planning work under *ISA (UK) 300 (Revised June 2016) (Updated May 2022) Planning an Audit of Financial Statements*, and *ISA (UK) 250 (Revised November 2019) (Updated May 2022) Section A – Consideration of Laws and Regulations in an Audit of Financial Statements*.

## Agreement of Balances

### What is the issue?

43. DHSC is required to consolidate the accounts of all organisations falling within the accounting boundary. The agreement of balances process aims to identify all income and expenditure transactions, and payable and receivable balances that arise from the provision of goods and services between component bodies in order to eliminate these transactions and balances on consolidation.

44. NHS England also eliminate transactions and balances between their component bodies in preparing their sector-specific consolidated accounts.

45. DHSC and NHS England issued its 2024-25 Agreement of Balances guidance which is designed to provide practical guidance to all NHS bodies within the resource accounting boundary. A copy of this has been made available to local auditors via the LACG Extranet.

### Why is this important?

46. The exercise completed at year-end (month 12) contributes directly to the year-end production of the NHS provider sector, NHS England and DHSC consolidated final accounts.

47. There are a number of arrangements between bodies that can cause complications for this process, including lead commissioning arrangements and the treatment of disputed balances. Joint working arrangements, including those arising from integrated care systems may also give rise to different accounting treatments between participating bodies.

48. Auditors may also complete work on agreement of balances as part of their work on the financial statements audit and as part of the work under the NAO group instructions.

### What should auditors do?

49. Auditors should discuss at an early stage the level of evidence required to substantiate balances.

50. The increasing use of pooled budgets and lead commissioning arrangements, including with local government bodies, can provide additional complexity to the agreement of balances process. Auditors should be aware of the guidance on pooled budgets and joint arrangements, including the Better Care Fund, within Chapter 4 Annex 8 of the GAM – Accounting for Pooled Budgets and Joint Arrangements and discuss the accounting treatment of such arrangements to ensure they are satisfied with the accounting treatment for the body in which they are auditing.



## Summarisation Schedules / Consolidation Template

### What is the issue?

51. In addition to the statutory annual report and accounts produced by each entity, NHS bodies need to communicate the same data, with further analysis to permit consolidation, to NHS England in a standard format that can be automatically processed.
52. The Code of Audit Practice requires auditors to report on the consistency of the schedules or returns with the audited body's financial statements for the relevant reporting period. This should be done using the final audited accounts and final schedules, making sure that all audit adjustments are appropriately reflected, and where relevant, disclosure notes are consistent. Auditors should note that this is a requirement for all local NHS bodies and is in addition and separate to any work required of component auditors by the NAO group audit teams.
53. Auditors are also required to submit the final summarisation schedules to the NAO group audit teams as required by the group audit instructions.
54. NHS England group accounts consolidate the accounts of ICBs and NHS England as a parent of the group. These are required to be consolidated into the DHSC Group Accounts.
55. The Consolidated NHS Provider Accounts (CPA) consolidates the accounts of both foundation trusts and NHS trusts which together make up the NHS provider sector. The CPA is required to be consolidated into the DHSC Group Accounts.

### Why is this important?

56. The consolidation templates and summarisation schedules form the basis of the group consolidation process. Differences are time-consuming to resolve and delay consolidation at the group level. It is important that differences between the accounts and consolidation schedules are highlighted to the audited body on a timely basis.

### What should auditors do?

57. The Code of Audit Practice requires auditors to report on the consistency of the schedules or returns with the audited body's financial statements for the relevant reporting period. This should be done using the final audited accounts and final schedules, making sure that all audit adjustments are appropriately reflected, and where relevant, disclosure notes are consistent.



58. It is the responsibility of audited bodies to ensure they submit the final and correct version of their consolidation schedules to NHS England. It is important that auditors ensure that the summarisation schedules submitted to the NAO group audit teams are the final version.

## Section 2: Other Matters 2024-25

### Funding, cash and capital regime 2024-25

What are the issues?

59. NHS England published the [‘2024/25 priorities and operational planning guidance’](#) (revised 10 April 2024) with funding continued to be based on local contracting and commissioning as set out in the [‘Revenue finance and contracting guidance for 2024/25’](#). ICB [allocations](#) have been set for 2024-25 which is supported by the [NHS financial framework](#) which sets out the ICB and system finance business rules from 1 April 2023.

60. The amount payable for NHS-funded secondary healthcare (acute, ambulance, community, mental health) is based on rules set out in the [NHS Payment Scheme](#) (NHSPS) which originally came into effect on 1 April 2023 replacing the National Tariff Payment System. Some further amendments have been made to the NHSPS since it was first implemented and the 2023/25 NHSPS (amended) came into effect on 1 April 2024. The NHSPS includes four payment mechanisms:

- **Aligned payment and incentive (API):** This contains a fixed and variable element and relevant to all trust relationships with NHS England for directly commissioned services and any ICB where the relationship is not covered by low volume activity. The fixed element is based on funding an agreed level of activity for all services apart from elective activity and expected annual best practice tariff achievement. The variable element is based on elective activity paid at 100% of the NHSPS prices adjusted by the trust’s market forces factor value. Where the relevant criteria are achieved, elective activity best practice tariff would be paid. NHS England must approve any variations that trusts and commissioners wish to make to the fixed and variable payment approach. Note that the nationally mandated CQUIN incentive scheme has been paused in 2024-25. Providers’ income associated with CQUIN achievement is therefore not at risk and they are not required to repay any amounts if they do not fully achieve the CQUIN criteria. CQUIN funding will continue to be included in prices. The fixed payment continues to include the 1.25% funding previously identified for CQUIN.
- **Low volume activity (LVA):** Applies to almost all NHS provider/commissioner relationships with an annual value below £0.5m. The only exceptions to this mechanism are services provided by ambulance trusts, including patient transport services; non-emergency inpatient out-of-area placements into mental health services where these are directly arranged by commissioners; and elective care commissioned by an ICB where there is no contractual

relationship to enable the transfer of existing patients under patient choice arrangements.

- Activity-based payments: Applies to activity delivered by non-NHS providers and paid for using 100% of NHSPS unit prices for each unit of activity delivered.
- Local payment arrangements: Applies to activity that is not covered by any of the mechanisms set out above and therefore subject to local arrangements between the commissioner and provider and includes services delivered by non-NHS providers for which there are no NHSPS unit prices.

61. Signed written contracts between commissioners and all providers (NHS and non-NHS) are expected to be required. Paragraphs 125 to 126 of the [‘2024/25 priorities and operational planning guidance’](#) states: *“It is important from a governance perspective that fully populated contracts in the form of the [NHS Standard Contract 2024/25](#) are put in place between commissioners (ICBs and NHS England) and each provider (NHS trusts, NHS foundation trusts and non-NHS organisations) covering at least the full financial year of 2024/25 and in advance of 1 April 2024. Contracts for all commissioned healthcare services – other than primary medical services, primary dental services, primary ophthalmic services and pharmaceutical services – must be in the form of the NHS Standard Contract, regardless of the type of provider commissioned to provide those services. NHS England has published the final version of the [NHS Standard Contract for 2024/25](#) to enable contracts to be agreed and signed in advance of 1 April 2024. For contracts where payment is to depend on activity volumes, opening activity plans and financial values should be set at realistic levels. This is important for providers because the monthly cashflow they receive (‘on-account payments’) will be broadly in line with the expected profile of costs they will incur.”*

62. The [elective recovery fund](#) (ERF) is separately identified in ICB allocations. ERF forms the variable element of the API payment to trusts. NHS England will set the target elective activity that each commissioner is expected to deliver within the totality of funding made available. NHS England has set a ceiling on elective over-performance payments in 2024-25 – these have been circulated via regions and included in the Month 10 financial return. Month 10 forecasts will be reviewed by NHS England alongside month 8 activity data and information from regions to inform the final allocations issued up to the value of the ceiling. Where the final 2024/25 performance is lower than the final 2024/25 allocation the system will have this amount deducted from 2025/26 allocations.

63. NHS England introduced a *‘Protocol for changes to in-year revenue financial forecast’* in November 2022 which is available to auditors via the LACG extranet. The protocol sets out NHS England’s expectations of system achievement of financial balance and how organisations within each system have a duty to co-operate in the delivery of system

objectives, to ensure the NHS as a whole remains within its spending limits. The protocol focuses on deterioration to financial positions and sets out that in exceptional circumstances it may be necessary for a system or an individual organisation to revise its forecast to reflect an overspend. In this event, the system or organisation must demonstrate that all possible steps have been taken to minimise the extent of any overspend. This should be set out in the form of a recovery plan that describes the mitigating actions being implemented to reduce spending and improve financial control. The recovery plan should aim to bring the organisation/system back to financial balance as quickly as possible, which may take up to 12 months or potentially longer in more extreme cases.

### Capital regime

64. The Spending Review 2021 provided the NHS with a three-year capital settlement covering 2022-23 to 2024-25. NHS England's ['Capital guidance 2022 to 2025'](#) still applies to 2024-25 with the allocations set out in ['Capital guidance for 2024/25'](#):

(1) A system-level allocation (£4.1bn) – to cover day-to-day operational investments which have typically been self-financed by organisations in ICSs or financed by DHSC through normal course of business loans or system capital support PDC (previously known as emergency capital PDC). From 2022-23 onwards this also includes £0.1bn of capital for investment in primary care estates and IT.

(2) Nationally allocated funds (£1.9bn) – to cover nationally strategic projects already announced and in development or construction, such as hospital upgrades ('STP schemes') and new hospitals.

(3) Other national capital investment (£2.0bn) – including national programmes such as elective recovery, diagnostics and national technology funding and the mental health dormitory programme.

65. The Health and Care Act 2022 includes a discretionary power allowing NHS England to make an order imposing a limit on the capital expenditure of an NHS foundation trust. As part of the Act, NHS England must publish statutory guidance about the circumstances in which we are likely to make an order and the method we would use to determine the limit. NHS England has published [statutory guidance](#) regarding [NHS foundation trust capital resource limits](#). The power to impose a limit on the capital expenditure of an NHS foundation trust will be used as a last resort where a foundation trust is actively pursuing capital expenditure that is not affordable within integrated care system capital envelopes or allocated capital through national programmes, thereby creating a risk of DHSC breaching its capital departmental expenditure limit. It is expected that system, regional and national mechanisms should mitigate this risk. However, this discretionary power is intended to complement how the capital regime operates to support system working and expected to

only be exercised where all other options have been exhausted. NHS foundation trusts will be notified of their notional capital resource limits through the monthly Provider Finance Return. This notional capital limit will be used by NHS England in its assessment as to whether a formal limit should be imposed by use of the power. The guidance includes illustrative circumstances that will result in an NHS England review of a foundation trust's actions with a view to imposing a capital limit, as well as how such limits will be imposed. NHS England will provide confirmation to the NAO of any imposed limit on the capital expenditure of an NHS foundation trust as part of year-end central assurances. This information will be made available to local auditors via the LACG Extranet.

### Cash regime

66. NHS England will issue ICBs with an annual cash drawdown limit as part of the overall commissioning group cash mandate. This will be reviewed during the course of the year with a view to ensuring each ICB receives its fair share of the cash mandate allocation. Revenue cash support for NHS trusts is expected to be in exceptional circumstances only and in accordance with the principles set out in the Reforms to the NHS Cash Regime effective from 1 April 2020 and [DHSC guidance on financing available to NHS trusts and foundation trusts](#).

### Why is this important?

67. The NHS finance regime is complex operating across an integrated care system with shared system control targets. However, individual NHS bodies within a system are still required to maintain the integrity of their financial accounts. The NHS provider licence includes a duty regarding integrated care, and that *“the licensee shall not do anything that could reasonably be regarded as detrimental to enabling integrated care.”* The licence applies directly to NHS foundation trusts, and NHS England's oversight of NHS trusts is designed to apply this with equivalence. However, it is important that where an NHS provider or commissioner takes a decision that is balancing its objectives as an organisation with how 'integrated care' (i.e. system working) serves the interests of patients, that it can support the true substance of its transactions and its accounting with evidence.

### What should auditors do?

68. Auditors should familiarise themselves with the revised funding regime for 2022-23 to support their audit planning work under *ISA (UK) 240 (Revised May 2021) (Updated May 2022) The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*, *ISA (UK) 300 (Revised June 2016) (Updated May 2022) Planning an Audit of Financial*

*Statements, and ISA (UK) 315 (Revised July 2020) Identifying and Assessing the Risks of Material Misstatement.*

69. This includes understanding the payment mechanisms in place at the body and policy decisions impacting the financial statements, such as new expenditure, investment or grant schemes, commitments, obligations or losses and special payments. Enquiries on finance processes should explore how finance processes have changed, particularly focusing on areas where the operation of a control being relied on for assurance purposes has changed and what local arrangements are in place and whether this is in the spirit of the guidance issued by NHS England.

70. Auditors will need to be aware of the risks associated with particular accounting treatments, for example, any directions regarding whether transactions should be on a revenue or capital basis, or which are not supported by evidence. The specific capital funding for projects may create incentives for NHS providers to treat expenditure relating to a project as capital when the specific elements of projects do not meet the criteria for capitalisation, or to recognise capital expenditure during 2024-25 in order to report positions in line with expectations for this funding.

71. Whilst this AGN sets out the overall funding flow from DHSC, auditors will need to consider NHS providers' assessment of revenue recognition under *IFRS 15 Revenue from contracts with customers* and ICBs' assessment of liabilities. These should reflect local arrangements in place and the substance of the transaction. As set out above, signed written contracts between commissioners and all providers (NHS and non-NHS) are expected to be in place.

72. Auditors are reminded that, under Section 4 of the Code, the auditor of a health service 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 NHS England as appropriate. AGN 07 *Auditor reporting* sets out further guidance on referrals of matters arising.

73. As set out in paragraph 63 above, NHS England's '*Protocol for changes to in-year revenue financial forecast*' sets out expectations of system achievement of financial balance and how organisations within each system have a duty to co-operate in the delivery of system objectives. Auditors are reminded that their value for money arrangements responsibilities are discharged through consideration of arrangements in place at the body, including co-operation with other bodies within the system, rather than the arrangements for the system as a whole.

## Use of Management's Expert – Valuations of Property, Plant and Equipment

What are the issues?

74. NHS providers hold a significant quantity of property, plant and equipment. Chapter 4, Annex 4 of the GAM states that:

*“Assets which are held for their service potential (i.e. operational assets used to deliver either front line services or back office functions) must be measured at their current value in existing use. For “in use” non-specialised property assets current value in existing use should be interpreted as market value for existing use. In the Royal Institution of Chartered Surveyors; (RICS) “Red Book” (RICS Appraisal and Valuation Standards), this is defined as Existing Use Value (EUV).*

*For specialised properties (i.e. those for which no active market exists), depreciated replacement cost is considered to be a satisfactory approximation of current value in existing use. Within that methodology, the MEA [modern equivalent asset] concept is applied: the “replacement cost” is based on the cost of a modern replacement asset that has the same productive capacity as the property being valued.*

*There is no pre-determined frequency with which assets must be re-valued. Instead the Standard requires that asset values should be kept up to date and that the frequency of revaluation will need to reflect the volatility of asset values. Where assets are subject to significant volatility, then annual revaluations may be required. Conversely, where changes in asset values are insignificant then a revaluation may be necessary only every 3 or 5 years.”*

75. Many of the property assets held by NHS providers are of a specialised nature and a valuer is usually engaged as management's expert to carry out a valuation of these assets. The DHSC GAM goes on to say in paragraph 4.425:

*“It is for valuers, using the RICS Red Book, and following discussions with the entity, to determine the most appropriate methodology for obtaining either a current value in existing use or a fair value.”*

76. In support of the RICS Red Book, RICS issue the [UK National Supplement](#). This reflects 'valuation standards and other authoritative requirements that are specific to the UK jurisdiction, and provides additional valuation applications guidance accordingly'. This therefore has the effect of being guidance rather than being a standard. The revised edition



published on 19 October 2023 is effective from 1 May 2024 (the revised edition applies to all valuations where the valuation date is on or after that day).

77. In November 2018 RICS also issued [Depreciated replacement cost method of valuation for financial reporting](#), also effective from January 2019 which was reissued in July 2024 as a professional standard. This provides further guidance on how to apply the UK National Supplement and ‘highlights the reporting requirements outlined in *RICS Valuation – Global Standards 2017 – UK national supplement (RB UK)* that are particularly relevant when the DRC method has been used’.

78. In July 2023, RICS published the professional standard [Existing use value \(EUV\) for UK public sector financial statements](#), effective from 1 October 2023. This was in response to differences in interpretation by valuers (and auditors) of the EUV definition – and the conceptual framework for valuations of operational owner-occupied properties. The main impact of this is where properties previously valued on an EUV basis may be required to be valued using DRC. Whilst this is unlikely to have a significant impact on the NHS it could affect a population occupying large non-specialist office sites in locations where the size of property means there is no active market against which to establish the basis for the EUV valuation. The standard provides further guidance and clarification on the interpretation and application of UK VPGA 6 of RICS Valuation – Global Standards: UK national supplement (Red Book UK).

79. In summary, the RICS Red Book constitutes the standard which valuers should adhere to. The updated UK National Supplement and UK guidance notes constitute application guidance which UK valuers should take account of when preparing DRC and EUV valuations.

80. Paragraphs 4.429 to 4.432 of the GAM set out the treatment of VAT in the valuation methodology:

*“Where DRC is used as the valuation methodology, entities must use the “instant build” approach. Generally the valuation should be gross of VAT, however circumstances may arise where the asset would be more appropriately valued net of VAT. For instance, entities may recover VAT on payments for certain contracted-out services, including the provision of a fully managed and serviced building under a PFI. When revaluing assets arising from a PFI project, entities may take the view that this should be based on a value excluding recoverable VAT, reflecting the cost at which the service potential would be replaced by the PFI operator. PFI assets must only be revalued exclusive of recoverable VAT where there is clear evidence that this is appropriate, which must be to the satisfaction of local auditors. Where an asset was not previously acquired through a route that permits VAT to be recoverable, and there is no clear indication that VAT would be recoverable on any replacement, the asset must be valued inclusive of VAT.”*

81. The auditor may also engage an auditor's expert to evaluate and challenge the work of management's expert.

#### Why is this important?

82. The valuation of land and buildings included in the NHS provider's financial statements is complex and often includes a number of assumptions and judgements. The valuations are also likely to have a high degree of materiality.

83. NHS bodies need to demonstrate whether or not a valuation is necessary (as not all NHS bodies have a full valuation each year) and be able to support their assessment in the years between formal valuations.

84. Management are responsible for the accounting estimates they use when preparing any set of accounts. For property valuations, while management may employ an expert in the form of a professional valuer (following the RICS guidance), management retain responsibility for the estimates within their accounts which includes ensuring there are adequate controls in place over the accuracy of the year-end valuations and that the controls are operating as intended; assessing the reasonableness of what they are provided with by their expert and challenging appropriately; and for applying accounting policies in respect of property assets in accordance with *IAS 16 Property, Plant and Equipment* and the DHSC GAM.

#### What should auditors do?

85. Auditors should consider the requirements of *ISA (UK) 500 (Updated May 2022) Audit Evidence*, which states that *'if information to be used as audit evidence has been prepared using the work of a management's expert, the auditor shall, to the extent necessary, having regard to the significance of that expert's work for the auditor's purposes:*

- a) Evaluate the competence, capabilities and objectivity of that expert;*
- b) Obtain an understanding of the work of that expert; and*
- c) Evaluate the appropriateness of that expert's work as audit evidence for the relevant assertion.'*

86. Where the auditor engages an auditor's expert, the auditor should consider the requirements set out in *ISA (UK) 620 (Revised November 2019) (Updated May 2022) Using the Work of an Auditor's Expert*.

87. Auditors should ensure that the consideration of the work of management's expert and any auditor's expert engaged is adequately documented, including evidence obtained of work undertaken to challenge and evaluate key assumptions.

88. The [Depreciated replacement cost method of valuation for financial reporting](#) standard highlights the increased level of reliance placed by valuers on their clients in respect of depreciated replacement cost (DRC) valuations: *‘with specialised assets the valuer may have to place greater reliance on information provided by the client, or its other advisers, than would be the case with more conventional assets’*. Auditors should have regard to this point when seeking such assurances under *ISA (UK) 500 (Updated May 2022) Audit Evidence*, e.g. by requesting details of any assumptions made by the valuer based on discussions with the audited body.

89. Auditors should also consider historic accounting judgements which may have a significant impact on the current year financial statements and whether the judgements remain appropriate.

90. Auditors should consider the following factors which may affect assumptions in property valuations and in certain cases, trigger impairments or accelerated depreciation:

- Changes to accommodation plans (e.g. disposal, exercising a lease break, change in property use, modern equivalent asset assumptions in respect of service potential).
- Significant new capital expenditure.
- Changes to the income generated from subletting properties or other activities (e.g. pharmacies, cafes, gift shops, newsagents).
- The valuer’s ability and intention to inspect properties that are subject to professional valuation in 2024-25.

91. Auditors should consider the requirements of *ISA (UK) 540 (Revised 2018) (Updated May 2022) Auditing Accounting Estimates and Related Disclosures* when assessing management’s accounting estimates in relation to property valuations.

## Subsidiaries and joint ventures

### What are the issues?

92. A number of NHS providers have established subsidiaries or joint ventures that, whilst they have similar characteristics, can have unique and complex arrangements in their own right. Some structures involve sale and leaseback models, for example, an NHS trust providing assets on a finance lease to the company which the company then leases back to the trust. The property company may provide a range of services to the trust, for example, the maintenance of a trust’s non-PFI estate and associated services such as portering; security; laundry; waste; reception; grounds maintenance and repairs; and some back-office functions such as finance and accountancy.

### Why is this important?

93. The associated transactions within the NHS provider's financial statements can be complex and often include a number of assumptions and judgements, particularly in relation to which entity's accounts assets are recognised; whether subsequent managed service agreements contain an embedded lease; and the treatment of VAT and whether or not this is recoverable which can impact the valuation of assets which are also likely to have a high degree of materiality.

94. The considerations regarding the treatment of VAT where depreciated replacement cost is used as the valuation methodology and revaluing the assets arises from a PFI project are set out in paragraphs 4.429 to 4.432 of the GAM (and quoted in paragraph 80 above in this AGN).

95. NHS England issued guidance in October 2022 ['Forming or changing a subsidiary'](#). This framework clarifies the required approval process before trusts can implement plans for subsidiaries; it does not affect their legal ability to develop such plans.

### What should auditors do?

96. Auditors should be aware of the risks associated with complex subsidiaries to support their audit planning work under *ISA (UK) 300 (Revised June 2016) (Updated May 2022) Planning an Audit of Financial Statements*, and *ISA (UK) 315 (Revised July 2020) Identifying and Assessing the Risks of Material Misstatement*.

97. Auditors should consider the requirements of *ISA (UK) 500 (Updated May 2022) Audit Evidence* as set out above in paragraph 85.

98. Where the auditor engages an auditor's expert, the auditor should consider the requirements set out in *ISA (UK) 620 (Revised November 2019) (Updated May 2022) Using the Work of an Auditor's Expert*.

99. Auditors should ensure that the consideration of the work of management's expert and any auditor's expert engaged is adequately documented, including evidence obtained of work undertaken to challenge and evaluate key assumptions. This will include the consideration of the economic reality of the arrangements under *IFRS 16 Leases* when determining whether there is a lease in substance.

100. Auditors should also consider historic accounting judgements which may have a significant impact on the current year financial statements and whether the judgements remain appropriate.

## Co-commissioning

### What are the issues?

101. All ICBs have delegated responsibility for primary medical services including pharmaceutical services, general ophthalmic services and dental services.
102. ICBs receive direct funding for the commissioning services and have primary responsibility for obtaining assurance for these transactions. Auditors should be aware that NHS England has contracted Capita to deliver primary care support services at all NHS sites and that there are regional differences in the method of operation and controls, with some elements being undertaken by NHS England local regional teams.

### Why is this important?

103. Primary care expenditure is significant and is likely to be material.

### What should auditors do?

104. Auditors should engage in discussions with ICBs to understand the co-commissioning agreements that have been entered into. The systems which support these costs are complex and may present a number of audit risks which auditors will need to consider as part of their planning process.
105. Auditors will need to consider the findings of service auditor reports to support their audit planning work under *ISA (UK) 300 (Revised June 2016) (Updated May 2022) Planning an Audit of Financial Statements*, and *ISA (UK) 315 (Revised July 2020) Identifying and Assessing the Risks of Material Misstatement*. Copies of these reports will be made available on the LACG extranet.
106. Where auditors wish to undertake substantive procedures, evidence requests should be submitted to ICBs.



## Other Support and Raising Technical Issues or Queries on this AGN

106. Auditors in firms should raise queries within the firm, in the first instance, so that the relevant technical support service can consider whether to refer queries to the NAO's Local Audit Code and Guidance (LACG) team by e-mailing [LACG.queries@nao.org.uk](mailto:LACG.queries@nao.org.uk).

107. Information supporting auditors is available on the LACG extranet. This includes details of third-party reports and information. Copies of referenced third party information and service auditor reports will also be available on the LACG extranet following issue. Updates will be communicated through the Weekly Auditor Communication (WAC). If there is a need for further statutory guidance during the year, the NAO may issue an addendum to this AGN.

108. The NAO also engages with the firms through its Local Auditors' Advisory Group (LAAG) and supporting technical networks to consider any emerging regime-wide technical issues on a timely basis. Auditors should follow their in-house arrangements for bringing significant emerging issues to the attention of their supplier's representative on LAAG or the relevant technical network.