



Auditor Guidance Note 3 (AGN 03)

Auditors' Work on Value for Money (VFM) Arrangements

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About Auditor Guidance Notes

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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 issues Weekly Auditor Communications (WACs) to local auditors to bring to their attention relevant information to support them in carrying out audit work. The firms that are local auditors under the Act may use WACs to update their own internal communications and reference tools.

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.

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



AGN 03 is relevant to all local auditors of bodies covered by the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

AGN 03 is not relevant to assurance engagements at smaller authorities for which the specified procedures are set out in AGN 02.

Introduction

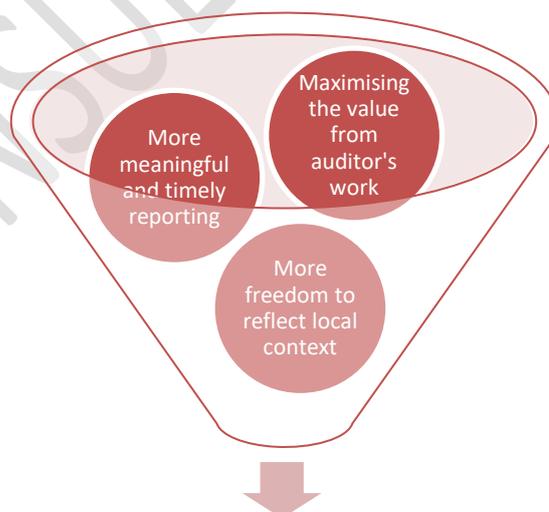
This AGN sets out guidance for auditors to support their work on value for money (VFM) arrangements. It covers all sectors, and is structured as follows:

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Purpose of this AGN

1. On 1 April 2020, a new Code of Audit Practice came into force. This AGN sets out how local auditors are expected to approach and report their work on VFM arrangements under the new Code and applies to audits of 2020-21 financial statements onwards.
2. Following extensive public consultation in 2019 on the development of a new Code, it was clear that it was an appropriate time to re-visit the work of local auditors in this area. Taxpayers, stakeholders and local service users rightly expect that the bodies responsible for their local public services will have arrangements in place to allow them to manage their finances and services and deliver their objectives. Therefore, it is important for local auditors to understand and comment on those arrangements, including drawing attention to areas of significant weakness or other concerns where they arise.
3. The approach set out in this AGN re-focuses the work of local auditors to:
 - promote more timely reporting of significant issues to local bodies;
 - provide more meaningful and more accessible annual reporting on VFM arrangements issues in key areas;
 - provide a sharper focus on reporting in the key areas of financial sustainability, governance, and improving economy, efficiency and effectiveness; and
 - provide clearer recommendations to help local bodies improve their arrangements.



VFM arrangements commentary
and recommendations

4. A flexible and responsive approach is needed to discharge the auditor's duty to be satisfied whether bodies have proper arrangements in place to secure value for money¹. The 2020 Code sets out a new approach to auditors' work in this area, which has been designed to enable auditors to meet these expectations.
5. From 2020-21 audits onwards, the key output from local audit work on arrangements to secure VFM is an annual commentary on arrangements, published as part of the Auditor's Annual Report². The commentary will enable auditors to explain the work they have undertaken during the year, and to highlight any significant weaknesses that they have identified and brought to the body's attention, along with their recommendations for improvement. The commentary will, however, also allow auditors to better reflect local context and draw attention to emerging or developing issues which may not represent significant weaknesses, but which may nevertheless require attention from the body itself.
6. The Code states in paragraph 4.6 that *"the auditor's annual report should be published at the same time as the opinion on the financial statements for local NHS bodies. For relevant authorities other than local NHS bodies, the auditor's annual report should be published no later than 30 September. Where the auditor is unable to do this, they should issue an audit letter including a statement explaining the reason for the delay."* The audit letter should be issued to those charged with governance.³

The Legal and Professional Framework

7. This AGN is consistent with the relevant requirements of the Local Audit and Accountability Act 2014 (the Act) and the 2020 Code of Audit Practice (the 2020 Code), which sets out how auditors meet their responsibilities under the 2014 Act. Auditors are required to comply with the Code and to have regard only to the guidance set out in this this AGN.

Subject Matter – Definitions of Proper Arrangements

8. The subject matter for the purposes of auditors' work under this AGN is a local body's arrangements to secure economy, efficiency and effectiveness in its use of resources. In particular, the Act and the Code require auditors to consider whether the body has put in place 'proper arrangements'. This AGN sets out the arrangements that fall within the

¹ The Local Audit and Accountability Act 2014 expresses this as being satisfied *"that the authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources"*

² The auditor's annual report constitutes an audit letter for the purposes of local bodies complying with the Accounts and Audit Regulations.

³ An audit letter that includes a statement explaining reasons for a delay also constitutes an audit letter for the purposes of local bodies complying with the Accounts and Audit Regulations.

scope of 'proper arrangements'.

9. The Code states in paragraph 3.7 that 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."*
10. In both local government and the NHS, organisations are already required to have arrangements in place to ensure proper governance, resource and risk management, and internal controls, and to report on the design and operation of those arrangements through annual governance statements. These arrangements should be appropriate and proportionate to the nature of the public body and the services and functions that it has been created to deliver.
11. This AGN draws on relevant requirements applicable to each sector and aligns the scope of proper arrangements with those that responsible parties are already required to have in place and to report on through documents such as annual governance statements and annual reports (where applicable).
12. When reporting on these arrangements, the 2020 Code requires auditors to structure their commentary on arrangements under three specified reporting criteria:
 - **Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services, including:**
 - how the body identifies the pressures it is facing and builds these into its plans;
 - how the body plans to bridge its funding gaps and identifies achievable savings;
 - how the body plans finances to support the sustainable delivery of strategic and statutory priorities and maintain services;
 - how the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning; 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, including:**
 - how the body monitors and assesses risk and how the body gains assurance over the operation of internal controls, including arrangements to prevent

and detect fraud;

- how the body approaches and carries out its annual budget setting process;
 - how the body ensures an effective budgetary control system in communicating accurate and timely management information, supports its statutory financial reporting requirements and ensures that corrective action is taken where needed;
 - how the body ensures appropriate scrutiny, challenge and transparency on decision making; and
 - how the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations of interests).
- **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, including:**
 - how management cost and performance information has been used to assess performance to identify areas for improvement;
 - how the body evaluates the services it provides to assess performance and identify areas for improvement;
 - how the body ensures it delivers its role within significant partnerships, monitors the performance of significant partnerships, and ensures action is taken where necessary to improve; and
 - where the body commissions or procures services, how the body monitors the performance of the service and assesses whether it has been delivered in line with what it procured and ensures that this is done in accordance with laws and regulations.

The Auditor's Approach

13. The auditor will need to gather sufficient evidence to enable them to draft their commentary under the three reporting criteria, including identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.
14. The evidence required to support the commentary is a matter of auditor judgement but should be sufficient to enable an experienced auditor with no prior knowledge of the body to understand the basis for the auditor's judgements on significant weaknesses, as

well as understand any recommendations made.

15. The work that auditors do on the specified reporting criteria should be based on the understanding that it is the audited body's responsibility to ensure that they have proper arrangements in place.

16. The auditor's work will fall into three broad areas:

- planning;
- additional risk-based procedures and evaluation; and
- reporting.

Planning

Understanding the body's arrangements and risk assessment

17. The auditor should document their understanding of the arrangements the body has in place for each of the specified criteria set out in the Code and this AGN, gathering sufficient evidence to support their commentary in the Auditor's Annual Report.

18. Auditors may draw on the relevant principles of understanding the entity and its environment, when understanding the body's arrangements in place - specifically:

- **Assertions** - Representations by management: Understanding the arrangements that the body itself should be reporting on through its annual governance statement and narrative statement.
- **Internal controls** - Paragraph 3.7 of the 2020 Code states 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.*" The auditor's work should be to understand the arrangements in place at the entity level and how the body itself ensures compliance. For example, the auditor is required to understand how the body goes about making decisions, but does not need to test the design and implementation or compliance of the arrangements. The auditor should perform sufficient procedures as is considered necessary to determine whether or not there is a significant weakness.
- **Risk assessment** - The audit procedures performed to obtain an understanding of the body's arrangements against the specified reporting criteria to identify where further work may be necessary. As stated above, where the auditor's planning work has identified risks of significant weakness, the auditor should consider what additional evidence is needed (if any) to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary.

19. In completing and documenting their planning work auditors should consider:

- cumulative knowledge brought forward from previous audits;
- relevant findings from work undertaken in support of the opinion on the financial statements (for example, understanding the entity and any work on key systems and controls);
- reports from the audited body including internal audit;
- interviews/discussions with key members and officers;
- information disclosed or available to support the annual governance statement and annual report (where applicable);
- information available from the audited body's own risk registers, committee or board papers including scrutiny and standards boards;
- recommendations from significant weaknesses identified in previous years; and
- other information available from external sources, such as relevant inspectorates, government departments or national bodies. Where auditors rely on such findings, they are not required to re-perform the work.

20. As stated in paragraph 18 above, in planning their work, auditors should consider whether any of the information they have gathered indicates a risk of a significant weakness in arrangements and should plan appropriate additional procedures to determine whether a significant weakness exists, and to report appropriately. Possible indicators of significant risks include, but are not limited to:

- organisational change or transformation, including mergers or local authority reorganisation;
- outsourcing, or transfer to alternative delivery models e.g. formal partnerships, mutuals, social enterprises, joint ventures, or transferring services and functions back in-house/insourcing etc;
- major capital projects;
- commercial activities, such as investment or trading, where the organisation has not considered the risks and benefits and is not managing those risks;
- debt restructuring, especially where this involves entering into unusual or complex forms of new borrowing, or is being used to finance unusual or complex schemes;

and

- legislative/policy changes requiring a body to take on a significant new function(s).
21. Depending on the nature and complexity of the arrangement, this may require the auditor to consider the use of an expert to understand the body's arrangements.
 22. Auditors should set out the results of their planning work as part of their audit planning report to those charged with governance. The auditor should also set out any additional work planned in respect of any identified risks of significant weaknesses.
 23. The auditor should keep their understanding of arrangements under review. Where appropriate, the auditor should update their work to reflect emerging risks or findings that may suggest a significant weakness in arrangements. The auditor should document any resulting changes to their planned work and ensure these are communicated with the audited body.

Additional risk-based procedures and evaluation

24. Determining the amount of evidence necessary to inform their commentary and consider significant weaknesses is a matter of auditor judgement, but appropriate sources of evidence will be similar to those outlined at the planning stage in paragraphs 19 and 20.
25. Auditors should note that, as stated above in paragraph 18, the auditor should perform sufficient procedures as is considered necessary to determine whether or not there is a significant weakness in arrangements. Auditors do not need to gather evidence of outcomes in order to inform their commentary on the arrangements in place, but should consider undertaking additional procedures where information coming to their attention as a result of planning work that suggests there may be a significant weakness in arrangements.

Identification of 'significant weaknesses'

26. In undertaking their work, auditors should consider whether there is evidence to suggest that there are significant weaknesses in arrangements. When considering the significance of weaknesses, auditors are expected to include consideration of the significance of business and operational risks insofar as they relate to the subject matter and the scope of 'proper arrangements' set out in paragraphs 8-12.
27. For the purposes of auditors' work under the Code and this AGN, being 'not satisfied that the body has proper arrangements to secure economy, efficiency and effectiveness in its use of resources' means having identified a significant weakness in arrangements as part

of their work with associated recommendations to the body aligned to the reporting criteria set out in the Code and this AGN.

28. An auditor's assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement, based on their evaluation of the subject matter in question.

29. Auditors should, however, have regard to the following characteristics. A weakness may be said to be significant if it:

- exposes – or could reasonably be expected to expose – the body to significant financial loss or risk;
- leads to – or could reasonably be expected to lead to – significant impact on the quality or effectiveness of service;
- leads to - or could reasonably be expected to lead to – unlawful actions; or
- identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

30. Determining whether an identified weakness is 'significant' is a matter of auditor judgement, but should be informed by their consideration of:

- the magnitude of the issue in relation to the size of the body;
- financial consequences in comparison to turnover;
- the impact of the weakness on the body's reported performance;
- whether the issue has been identified by the body's own internal arrangements;
- whether any legal judgements have been made including judicial review;
- whether there has been any intervention by a regulator or Secretary of State;
- whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- the impact on delivery of services to local taxpayers; and
- the length of time the body has had to respond to the issue.

31. Auditors should also consider their findings in relation to their judgement on the arrangements in place *during the year*. In that context, the auditor's judgement should focus on how the body's arrangements in-year are supporting it in addressing the relevant issues. Significant weaknesses that have already been identified and reported do not need to be repeated, unless the auditor has identified a significant weakness in the body's arrangements for responding. Auditors may, however, elect to draw the reader's attention to representations in the body's annual governance statement in relation to issues that have previously been reported. The auditor's commentary should include details of the body's progress against relevant recommendations made previously by the auditor.
32. Where the audited body is the administering authority for a pension fund, auditors should take account of any information that suggests significant weaknesses in the administering authority's arrangements in respect of the governance and management of the pension fund.

Illustrative significant weaknesses

33. While it is a matter of auditor judgement to determine when a weakness in arrangements is significant, the following may be helpful in suggesting the type of issues that could indicate a significant weakness. The suggestions are, however, not exhaustive, and auditors should have regard to relevant local context. Where the auditor has exercised – or considered exercising – any of their additional statutory reporting powers, auditors may also wish to consider whether this is indicative of a significant weakness in VFM arrangements.
34. Financial sustainability:
- Unidentified savings/funding gaps in financial planning that would substantially threaten the delivery of the plan.
 - Financial plans based on key assumptions that are unrealistic, e.g. are over-reliant on uncertain income streams that are significant to the delivery of plan, or not backed by appropriate supporting evidence.
 - Significant unplanned use/reliance on reserves to cover unplanned spending or bridge funding gaps.
 - Persistent failure to meet savings plans or financial targets.
35. Governance:
- Decision-making that is unlawful or could lead to significant loss or exposure to significant financial risk.
 - Serious and pervasive weaknesses in final accounts processes leading to material errors in draft accounts, failure to meet statutory reporting deadlines and/or a

modified opinion on the financial statements.

- Failure to implement or achieve progress on recommendations raised, either as a result of previous external audit recommendations, or those from another regulator or inspectorate.
- Pervasive and significant weaknesses in internal controls, especially where these have had a significant financial/service-delivery impact or exposed the body to fraud.
- Significant or repeated departure from key regulatory, statutory or professional requirements, such as the CIPFA Financial Management Code, Prudential Code, Treasury Management Code, departmental statutory guidance, etc. Note that in assessing arrangements, auditors are not expected to test bodies' compliance, for example with the CIPFA Financial Management Code, but evidence of significant failures to comply could be indicative of a significant weakness in arrangements.

36. Improving economy, efficiency and effectiveness:

- Failure to take appropriate action or secure improvement in areas where the body has identified, or a relevant inspectorate or regulatory body has identified weaknesses in terms of cost/effectiveness or service performance.
- Significant financial loss or failure to deliver efficiency/performance improvements as expected when working through significant partnerships.
- Significant financial loss or failure to deliver efficiency/performance improvements as expected when managing significant outsourced contracts/services.

37. The risk of significant weaknesses may also increase where the body is involved in or planning arrangements as set out in paragraph 20 above.

38. In considering service and financial sustainability, auditors are not expected to apply a pre-determined timeframe when evaluating subject matter information. Rather, auditors should consider the timeframe that is appropriate to the nature of the subject matter and the subject matter information, taking account of the differing levels of certainty with which bodies in different sectors may be able to plan into the future. In some cases, such as major outsourcing or capital projects, or major transformation such as a structural reorganisation, the appropriate timeframe could extend significantly beyond that which is covered by annual or medium-term financial plans.

39. Where auditors have identified significant issues arising from their work on the financial statements, they should consider whether they highlight a significant weakness that needs to be reported to the body.

Covid-19 and assessment of significant weaknesses

40. During March 2020, the UK government began its response to the coronavirus pandemic (Covid-19). The response will have significant implications for local government and local NHS bodies. These bodies will need to adapt many – if not all – of their arrangements to adjust to both significant increases in demand for some services, such as health and emergency services, and new ways of working as a result of the severe restrictions placed on the public.
41. The previous AGN 03, issued on 16 April 2020 clarified that *“only where clear evidence comes to the auditor’s attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019-20 VFM arrangements conclusion”*.
42. When drafting their 2020-21 commentary on arrangements, auditors should highlight how bodies’ arrangements have adapted to respond to the new risks they are facing from 2020-21 onwards, including clearly setting out whether they have identified any significant weaknesses in those arrangements.

Reporting

43. The 2020 Code requires auditors to report in a narrative-style commentary each year under the specified reporting criteria and expects that where auditors identify significant weaknesses in arrangements as part of their work, they will raise them promptly with those charged with governance at the body⁴.

Recommendations

44. Paragraph 3.14 of the 2020 Code requires that where the auditor has concluded that there is a significant weakness in a body’s arrangements, they should report this to the body and support it with a recommendation for improvement 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.
45. Where the auditor has raised a recommendation in relation to a significant weakness in arrangements, the recommendation should be clearly labelled as such.

⁴ 2020 Code of Audit Practice – paragraph 1.19

46. Auditors may make recommendations at any time during the year and should summarise any recommendations that have been made as part of their commentary on arrangements in the Auditor's Annual Report.
47. Auditors also have a range of additional reporting powers under the 2014 Act, including:
- statutory (written) recommendations under Schedule 7 of the 2014 Act;
 - reports in the public interest; and
 - advisory notices.
48. Auditor Guidance Note (AGN) 7 *Auditor Reporting* sets out guidance on how auditors should consider whether they need to use any of their discretionary powers to report. In particular, when considering how and when to exercise additional reporting powers, auditors should weigh up:
- the significance of the weakness in arrangements which has come to their attention or which they have identified during the audit;
 - whether the body itself recognises the need to address a concern and is taking appropriate action in a timely way;
 - what information is already in the public domain and whether there is merit in bringing the matter to the attention of the public in the interests of openness, transparency and accountability or to facilitate dissemination of learning to other public bodies;
 - which form of reporting is likely to be most effective in helping the audited body to understand the significance of the matter and the need to take action; and
 - whether previous reporting has been acted upon and, if not, whether more prominent reporting – such as issuing a statutory recommendation or a report in the public interest – is now necessary.
49. Where an auditor considers it appropriate to exercise one or more of their additional powers in respect of a significant weakness in arrangements to secure VFM that includes recommendations for action, there is no requirement to repeat the recommendation already raised. As stated in paragraph 45 above, the auditor should clearly label recommendations raised in response to a significant weakness in arrangements. Auditors should ensure that these are referred to by exception in their general report on the financial statements, and that they are included in the Auditor's Annual Report.
50. Where the auditor issues a public interest report (PIR) related to a significant weakness in arrangements, but does not make a recommendation in the PIR, they should still make an associated recommendation immediately to those charged with governance. This should also be included in the Auditor's Annual Report as set out in paragraph 46 above.

51. Where the auditor has issued a referral⁵ to the Secretary of State, the auditor should consider whether the matter reflects a significant weakness in the body's arrangements which therefore requires the auditor to make a recommendation in response to the issues referred.

Commentary on arrangements

52. The commentary should include a summary under each of the specified reporting criteria that sets out the work the auditor has undertaken during the year including the auditor's risk assessment as set out in paragraph 18 above. The commentary should also provide a clear narrative that explains to the reader the auditor's findings and any local context the auditor wishes to include to explain their findings. Describing the arrangements that are in place at an audited body would not meet this responsibility.
53. Where an auditor has identified, as a result of their work, significant weaknesses in arrangements and has made a recommendation in relation to the weaknesses, they should explain this in their commentary. Equally, where an auditor has not identified a significant weakness in arrangements this should be reflected in their commentary.
54. Auditors may include in their commentary any other matters arising from their work that, in the auditor's professional judgement, are significant to the auditor's consideration of arrangements to secure VFM. Auditors may also include areas for improvement or to keep in view even if they do not identify any underlying significant weaknesses in arrangements.
55. Auditors of a police crime commissioner and chief constable can issue a combined Auditor's Annual Report and commentary, however, where an auditor has identified a significant weakness in arrangements, the commentary should identify clearly which entity the weakness relates to.

Follow-up of previous recommendations

56. Where an auditor has reported significant weaknesses in arrangements in the previous year, the auditor should follow up recommendations issued previously and include their view as to whether the recommendations have been implemented satisfactorily within the Auditor's Annual Report.

⁵ Referral to the Secretary of State/NHS England/NHS Improvement under Section 30 and Schedule 13 of the Local Audit and Accountability Act 2014 for bodies other than NHS foundation trusts and referral to the relevant NHS regulatory body under Schedule 10 of the National Health Service Act 2006 for NHS foundation trusts.

Exception Reporting – auditor's general report on the financial statements

57. As set out at the start of this AGN, the 2014 Act requires auditors to be satisfied that bodies have proper arrangements in place to secure economy, efficiency and effectiveness in their use of resources. Under Schedule 6 of the 2014 Act, the C&AG is required to publish a Code of Audit Practice (the 2020 Code) that sets out how auditors discharge their responsibilities under the Act. The C&AG may also issue guidance to which local auditors must have regard when carrying out their work. The 2014 Act also requires auditors of some local bodies, where they are not satisfied with the arrangements bodies have in place, to refer to this by exception in their report on the financial statements. For consistency, the 2020 Code applies the concept of exception reporting to all bodies covered by this AGN.
58. Chapter Three of the 2020 Code covers auditors' work on VFM arrangements and specifies the following reporting requirement in paragraph 3.14: *"Where the auditor identifies significant weaknesses in arrangements as part of their work on arrangements to secure value for money, they should make recommendations"*. The 2020 Code further expects that auditors will raise such matters promptly during the course of the audit.
59. Chapter Four of the 2020 Code requires in relation to the auditor's report of the financial statements that *"Where the auditor is not satisfied in respect of arrangements to secure value for money, they should refer to this by exception"* (paragraph 4.5).
60. Accordingly, under the 2020 Code and this AGN, auditors will have discharged their responsibilities by including reference in their auditor's general report on the financial statements to matters where they have reported, to the audited body, a significant weakness in arrangements to secure VFM up to the point at which they issue their report.
61. Auditors are not required to issue repeat recommendations but may draw attention to matters previously reported as set out in paragraph 31 above.

Subsequent Events

62. Information informing the auditor's view about a body's performance or arrangements comes to the auditor's attention throughout the year. Therefore, it is possible that new information will come to the auditor's attention after they have issued their report on the financial statements.
63. Where this identifies a significant weakness, auditors should report the weakness to the body and make an appropriate recommendation in accordance with the requirements of this AGN.
64. Where new information comes to the auditor's attention after they have issued their report on the financial statements, auditors are not required to revisit their report on the financial statements, but should instead include reference to the recommendation in

respect of a significant weakness in their report on the financial statements for the following year. However, where the auditor has not yet issued their Auditor's Annual Report, they may include reference to the new issue in their commentary on arrangements.

Approach to VFM arrangements work at bodies demising during the year

65. It is possible that some audited bodies may demise part way during a financial year (for example, due to a reorganisation in the NHS).
66. In such circumstances, while having regard to this guidance, auditors are not required to issue a commentary on arrangements or an Auditor's Annual Report in respect of the demised body. The requirements of AGN 03 will, however, apply in full to any successor body, with effect from the first part-year onwards.
67. Where information comes to the auditor's attention that indicates that there are significant weaknesses in a body's arrangements to secure VFM, or where the auditor is aware of significant issues through prior audit knowledge auditors are expected to bring such matters to the attention of the appropriate successor body or its auditor.

Supporting Information

68. In addition to this AGN, auditors have access to sector-specific supporting information, prepared by the NAO.
69. The supporting information does not form part of the statutory guidance to which auditors must have regard, but it helps auditors to understand the key developments and risks that are relevant to VFM arrangements in each sector.
70. The supporting information is updated as and when required, to reflect any significant developments during the year. Auditors are notified of any updates to the supporting information via the WAC.
71. If, in exceptional circumstances, the NAO identifies the need for further statutory guidance to be issued in respect of the current audit year, this may be issued by the C&AG through an updated AGN.

Raising Technical Issues or Queries on this AGN

72. 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
73. 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



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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.

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