

# Consultation on new Code of Audit Practice

Invitation to Comment



 AUDIT SCOTLAND

Prepared by Audit Scotland  
February 2026

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# Introduction

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## The Code of Audit Practice

**1.** The Code of Audit Practice (the Code) issued by the Auditor General and the Accounts Commission defines the independent external audit of public bodies in Scotland. All the auditors appointed by the Auditor General and the Commission to perform annual audits, as well as performance auditors in Audit Scotland, are required to comply with this Code.

**2.** The framework for external audit set out in the Code provides assurance that public bodies properly discharge their responsibilities. Appointed auditors are independent of the bodies they audit and report their findings in public. In that way, auditors provide independent assurance and promote improvement. This supports democratic scrutiny of how public money is raised and spent, and the outcomes achieved.

## Reviewing the Code

**3.** The Auditor General and Commission, supported by Audit Scotland, review the Code at least every five years to ensure it remains fit for purpose in a dynamic and constantly changing environment.

**4.** This consultation invites comments on a new Code for the five-year period from 2027/28 to 2031/32. A key element of the Code review has been to gather views and insights from external stakeholders. We are therefore engaging widely on the development of this new Code in order that it may reflect the issues stakeholders perceive to be the most relevant to public audit over that five-year period.

**5.** We carried out extensive informal engagement during the research phase of the Code review. We have carefully considered the feedback provided by stakeholders and this has informed the formal proposals in this Invitation to Comment (ITC). The engagement indicates that the current Code published in 2021 has been well received, which gives us a sound base from which to start. Some elements of feedback from stakeholders related to longer term considerations or were outside the boundaries of what an independent external audit process can appropriately do. While we welcome the feedback, those elements have therefore not been carried forward into the formal proposals for the new Code. We have explained in this ITC where we judged that to be the case.

**6.** We have nevertheless undertaken a full root and branch review of public audit to thoroughly challenge the status quo and identify areas for

enhancement. The Code review has paid due regard to key factors such as the legislative position, audit quality, affordability, stakeholder views, and resilience to respond to environmental changes.

**7.** Proposals set out in this ITC build on the current Code but include a number of refinements to the underlying audit model. The [Appendix](#) provides a summary of the proposed changes, but some key proposals outlined in more detail later in this ITC include the following:

- We intend introducing a separate assurance framework for bodies with the lowest levels of expenditure which we consider to be proportionate.
- In local government, we have removed the perceived overlap between wider scope areas and the arrangements for Best Value by requiring appointed auditors to focus on Best Value. The annual thematic reviews introduced by the previous Code will continue but will be delivered by a central Audit Scotland team on a sample basis.

**8.** A key contextual factor is the reform of public services. It is important that public audit is not (and is not seen to be) a barrier to improving public services. In order to be 'future-proofed', the new audit model must be sufficiently flexible to accommodate any reforms that can be reasonably predicted during the period of the new Code.

**9.** A key example is the Scottish Government's strategy for reforming public service. This includes a commitment to empower local government and health to develop Single Authority Models in three rural and island local areas. It is anticipated that legislation setting up the new single authorities would specify how the public body would be classified (for example, as a local government or NHS body) and they would then be audited in accordance with that classification.

**10.** The process of reform may involve matters that the Auditor General or Commission would wish auditors to consider. It is not necessary to predict what those considerations might be for inclusion in the new Code itself, as they will be picked up in guidance that supplements the Code.

**11.** Following this formal consultation stage, a final version of the Code will be published to replace the current version that will apply from 2027/28 audits.

## How to comment

**12.** Please comment by completing the response form at this link, [Consultation on Code of Audit Practice 2026](#), by Friday 27 March 2026.

**13.** Alternatively, please send your response by email to: [futurepublicauditmodel@audit.scot](mailto:futurepublicauditmodel@audit.scot).

**14.** When responding to the consultation, please refer as far as possible to the relevant paragraphs of the draft Code. However, you do not need to answer all the questions. We welcome brief responses addressing only those issues where you wish to put forward a view.

**15.** We will process your personal data in accordance with all applicable data protection laws. However, in the interests of transparency, responses to this ITC will be regarded as on the public record and may be published on the Audit Scotland website. If you want your comments to be treated as confidential, please tell us.

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# 1. Principles of public audit

All sectors

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## Introduction

**16.** Section 1 of the draft Code sets out the general principles of public audit.

**17.** We are proposing to retain the principles set out in the current Code and include additional principles that are important to public audit.

## General principles of public audit

**18.** The principles set out in the current Code relate to the independent appointment of auditors; wider scope of audit; public reporting; and audit quality. We consider that these all continue to be relevant and should be carried forward to the new Code.

**19.** However, there are other important principles of public audit that we consider should be explicitly stated in the Code.

## Proposed additional principles

**20.** We therefore propose adding the following to the new Code (paragraphs 10 to 41 of the consultation draft):

- **Public accountability** – to emphasise that appointed auditors carry out their work on behalf of the public and in the public interest.
- **Professional judgement** – to clarify that auditors should use their judgement to apply the principles and requirements set out in the Code to the particular circumstances that exist at different audited bodies.
- **Risk-based and proportionate** – to emphasise the need for auditors to tailor their work to the circumstances at each audited body and the audit risks to which they give rise, and to do so in a proportionate manner.
- **Professional scepticism** – this is fundamental to high-quality audit and therefore it is commensurate with its importance to be specifically reflected in the general principles.
- **Data-driven** – in order to undertake audits efficiently, where possible, appointed auditors should adopt a data-driven (or data-enabled) audit that allows deeper insights, detects risks and anomalies, improves the accuracy and security of data, ensures

compliance with data regulations, and increases audit coverage and efficiency by analysing the whole population of relevant data.

- **Appropriate knowledge and skills** – in order to undertake audits effectively, appointed auditors need the necessary skills. These include, not only the traditional skill sets required of auditors, but also the ability to deliver data-driven audits. For public audit, they need sufficient knowledge of the relevant public sector financial reporting, regulatory and legislative frameworks.
- **Co-operation** – public bodies increasingly operate, commission and deliver services in a range of partnerships and other forms of joint working or contracts with other public, private or third-sector bodies. It is important that appointed auditors consider how best to obtain assurance over such arrangements, working effectively with other auditors where appropriate.

**Question 1: Do you agree with the proposed general principles for public audit?**

If not, what alternative do you suggest?

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# 2. Audit of the annual accounts

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## Introduction

**21.** Section 2 of the draft Code sets out responsibilities for the audit of a public body's annual accounts.

**22.** Section 8 sets out proposals for a separate assurance framework for smaller audited bodies.

## Assurance standards

**23.** It has been suggested by some stakeholders that International Standards on Auditing (ISAs) issued by the Financial Reporting Council (FRC) are not the most appropriate external assurance standards for the audit of public bodies' accounts. The ISAs give reasonable assurance that the annual accounts have been prepared in accordance with the applicable financial reporting framework and are free from material misstatement. However, they are primarily designed for use in the private sector.

**24.** The Code review considered alternative assurance standards but did not identify any viable options. There is also no mechanism for adapting or disapplying specific requirements of ISAs for the public sector context. We are nevertheless satisfied that ISAs are suitable standards for the audit of most public bodies.

**25.** There is, however, an alternative standard for smaller audited bodies.

## Smaller audited bodies

**26.** A key principle of public audit is proportionality. The Auditor General and Accounts Commission are clear that benefit derived from the independent assurance provided by external audit must be greater than the cost of delivering the audit. Although it is difficult to meaningfully quantify assurance in monetary terms, it is recognised that the cost of an ISA-compliant audit may not be proportionate for smaller audited bodies with relatively low expenditure.

**27.** The audit profession generally recognises that an ISA-compliant audit is not proportionate for smaller bodies. The statutory framework for other jurisdictions and sectors makes express provision for different arrangements for smaller bodies. For example:

- The Companies Act provides an exemption from audit for small companies below a certain size.
- The Local Audit and Accountability Act 2014 provides for regulations on the audit of 'smaller authorities' in England. The regulations specify that the audit is a limited assurance review engagement.
- The Accounts and Audit (Wales) Regulations 2014 define larger and smaller relevant bodies.
- Charities regulations require an examination (as defined in the regulations) rather than an audit for charities below a specified threshold unless an audit is required by other legislation.

**28.** The Scottish public audit model could reasonably be described as an outlier that has fallen behind the audit profession in continuing to require all bodies to undergo an ISA-compliant audit with no regard paid to size.

### Assurance standards

**29.** There is an International Standard on Review Engagements (ISRE 2400 Engagements to Review Historical Financial Statements) issued by the International Auditing and Assurance Standards Board under which the minimum level of procedures is substantially less than under the ISAs.

**30.** In order to provide a separate assurance framework for smaller audited bodies, it would be necessary for the audit of the annual accounts of such bodies to be carried out in accordance with ISRE 2400 rather than the ISAs.

**Question 2: Do you agree that the standard on review engagements (ISRE 2400) is an appropriate standard for auditing smaller bodies?**

If not, what alternative do you suggest?

### Targeted procedures

**31.** Using ISRE 2400 would allow audit procedures to be tailored to the circumstances of smaller bodies. Fewer procedures would reduce the delivery cost, but those procedures could be targeted at the most relevant risks. For example, procedures could be focussed on expenditure and the focus on balance sheet items could be reduced.

### Proportionate assurance

**32.** As the volume of procedures would be reduced, the overall conclusion on the financial statements would give limited (as opposed to reasonable) assurance as described in the International Framework for Assurance Engagements. Limited assurance is still a meaningful level of assurance that enhances users' confidence about the financial statements.

**33.** Limited assurance means the conclusion would be written in the negative form (for example, stating that nothing has come to the auditor's attention that causes them to believe that the financial statements have not been prepared so as to give a true and fair view).

**34.** The Code review has concluded that limited assurance is proportionate for auditing the accounts of smaller bodies.

**Question 3: Do you agree that limited assurance is proportionate for auditing the accounts of smaller bodies?**

If you do not agree, what are your reasons?

### Proposed features

**35.** The procedures required of auditors under the assurance framework would be set out in guidance from Audit Scotland. This would include the following key elements:

- The completeness and accuracy of income and expenditure, reconciliation and other controls around bank balances, and the existence of debtors and creditors.
- Fewer procedures than required by the ISAs but reflecting selected ISA principles where relevant and proportionate.
- Reasonable assurance from the opinion on the regularity of transactions (for relevant bodies).

**Question 4: Do you agree with the proposed features of the review of the audited accounts for smaller bodies?**

If not, what alternative do you suggest?

### Definition

**36.** It is proposed that the definition of smaller bodies for the purposes of auditing the accounts should be primarily based on an expenditure threshold set by the Auditor General and the Accounts Commission. A range of thresholds have been considered from £15 million (used for small companies), £6.5 million (currently used by local audit in England though that is increasing to £15 million from 2025/26), £2.5 million (used by Audit Wales) to £1 million (used for charities). The Auditor General and Commission believe that £6.5 million would be a reasonable threshold. That threshold would mean around 18 per cent of bodies would benefit from the assurance framework.

**37.** Regardless of the threshold, the Auditor General and Commission would nevertheless have the discretion to require the ISAs to apply to any public body under that threshold if they judged it appropriate in the circumstances.

**Question 5: Do you agree that smaller bodies should be defined for the purposes of auditing the accounts primarily using an expenditure-based threshold set by the Auditor General and the Accounts Commission?**

If you agree, do you have any views on the appropriateness of setting the expenditure threshold at £6.5 million?

If you do not agree, what alternative for defining smaller bodies do you suggest?

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# 3. Wider scope reporting areas

## Auditors appointed by Auditor General

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### Introduction

**38.** Section 3 of the draft Code sets out responsibilities for wider scope reporting areas by auditors appointed by the Auditor General. Section 8 sets out adaptations for smaller audited bodies.

**39.** We have proposals on the assurance standards that auditors should follow and on a proportionate approach for smaller audited bodies.

### Reporting areas

**40.** Public audit has a wider scope than the audit of a public body's annual accounts. Engagement with stakeholders indicates that the wider scope audit continues to be valued. The current Code frames the wider scope around four specified reporting areas of:

- financial management
- financial sustainability
- vision, leadership and governance
- use of resources to improve outcomes.

**41.** Auditors report a conclusion on the effectiveness of the arrangements in place for each reporting area.

**42.** We have reviewed the reporting areas and consider that they continue to be relevant and an appropriate way to frame the wider scope audit. No changes are therefore being proposed for sectors within the remit of the Auditor General (see [Section 4](#) of this ITC for local government).

**43.** Some stakeholders have suggested that auditors could do more in respect of financial sustainability. That is considered in [Section 5](#) of this ITC.

**44.** Audit Scotland issued guidance that supplements the current Code and defines in more detail the components that constitute each reporting area. That guidance will need to be updated to ensure it is future-proofed for the period covered by the new Code. This includes ensuring that the guidance adequately reflects issues such as the culture at audited bodies and the shift towards digitalisation.

## Assurance standards

**45.** The current Code requires appointed auditors to carry out all elements of the annual audit, including consideration of the arrangements for the wider scope reporting areas, in accordance with the ISAs.

**46.** ISAs are designed to apply to audits of historical financial information (which is why they apply to the audit of the annual accounts). However, the FRC also issue a standard – International Standard on Assurance Engagements (ISAE) 3000 – which covers subject matters other than historical financial information (such as processes, systems or arrangements). Guidance from Audit Scotland will continue to set out the nature of the work and so adopting that standard would not necessarily change the nature of the work carried out relative to the ISAs, but it provides a more appropriate frame of reference within which auditors would carry out the work.

**Question 6: Do you agree that the assurance standard ISAE 3000 is the appropriate standard for the wider scope reporting areas specified in the Code?**

If you do not agree, what are your reasons for disagreement and what alternative do you suggest?

## Smaller bodies

**47.** The current Code sets out a more restricted consideration of wider scope areas for bodies that are considered to be less complex. Auditors consider the arrangements and report a conclusion for only one of the four reporting areas – financial sustainability. The definition of ‘less complex’ is currently a combination of quantitative and qualitative factors.

**48.** We have reviewed the approach to less complex bodies in light of the proposal to move to limited assurance for the opinion on the annual accounts set out in Section 2. The proposals are:

- Auditors should report conclusions on the arrangements in all four wider scope reporting areas rather than just financial sustainability.
- For financial sustainability, the conclusion should continue to give reasonable assurance.
- For the other three specified reporting areas, the conclusion should give limited assurance.
- The conclusion on the arrangements in place to secure Best Value should continue to give limited assurance.

**Question 7: Do you agree with the proposals for reporting conclusions on the four wider scope reporting areas and Best Value for smaller bodies?**

If you do not agree, what are the reasons for your disagreement and what alternative do you suggest?

**49.** The proposal is to align the definition of 'less complex' bodies with the definition of smaller bodies for auditing the accounts. That would avoid the potential confusion of the same body having a different classification for different elements of the audit. It would therefore be clearer to stop using the term 'less complex' for the wider scope areas and simply use the description 'smaller body'.

**Question 8: Do you agree that the definition of smaller bodies should be consistent for all elements of the audit?**

If you do not agree, what alternative do you suggest?

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# 4. Best Value in local government

## Auditors appointed by the Accounts Commission

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### Introduction

**50.** Section 4 of the draft Code sets out responsibilities for Best Value in local government. Section 8 sets out adaptations for smaller audited bodies.

**51.** We have proposals that will allow auditors to focus more on their responsibilities for Best Value.

### Conclusion on Best Value arrangements

**52.** Auditors have a statutory responsibility to satisfy themselves that local government bodies have made proper arrangements for securing Best Value. The expected arrangements for Best Value are set out in statutory guidance issued by the Scottish Government.

**53.** Under the current Code, auditors focus on the wider scope areas described in Section 3 of this ITC and use the work carried out to support their conclusions not only on those areas but also to support a conclusion on the arrangements for Best Value.

**54.** While not intentional, that approach may have created the perception of the wider scope areas having more prominence and Best Value being of secondary importance. It has also created some confusion and the perception of an overlap.

**55.** To redress that balance and remove any confusion, the proposal is that auditors should focus on Best Value arrangements and for the wider scope areas to be discontinued. The Commission considers that the statutory guidance is comprehensive and covers the same ground as the wider scope areas, and so nothing will be lost by making this change.

**56.** Auditors would report a conclusion on whether councils and Integration Joint Boards (IJBs) comply with the statutory guidance on Best Value. The proposed approach for other local government bodies is set out at [Question 13](#).

**Question 9: Do you agree that the wider scope areas should be discontinued for local government? Do you agree that auditors should focus on Best Value arrangements and report a conclusion on whether councils and IJBs comply with the statutory guidance on Best Value?**

If you do not agree, what alternative would you suggest?

## **Conclusions on financial sustainability and financial management**

**57.** Auditors would additionally be required, as part of their work on Best Value arrangements, to report discrete conclusions explicitly on the elements of the arrangements related to financial management and financial sustainability.

**58.** This proposal gives due prominence to Best Value, while retaining explicit conclusions on two aspects of the overall arrangements that stakeholders have indicated that they value.

**Question 10: Do you agree that auditors should report discrete conclusions on the elements of Best Value arrangements related to financial sustainability and financial management?**

If you do not agree, what alternative do you suggest?

## **Engagement standards for Best Value**

**59.** For the same reasons set out in Section 3 of this ITC, it is proposed that ISAE 3000 is more appropriate for Best Value arrangements than the ISAs.

**Question 11: Do you agree that the assurance standard ISAE 3000 is appropriate for considering and concluding on Best Value arrangements?**

If you do not agree, what are your reasons for disagreement and what alternative do you suggest?

## **Other local government bodies**

**60.** As is the case under the current Code, the Commission wants to have a proportionate approach for local government bodies other than councils and IJBs. It is proposed that auditors should:

- focus how the body demonstrates that it is meeting its Best Value responsibilities
- not be required to carry out any additional work on considering compliance with the statutory guidance.

**61.** Due to the lower level of work relative to councils and IJBs, auditors would give limited rather than reasonable assurance on:

- Best Value – this is no change from the current approach
- financial sustainability – this is appropriate as it is considered less of a risk than in a council or IJB
- financial management – this would be an increase in assurance relative to the current approach.

**Question 12: Do you agree that the proposals set out above should be adopted for local government bodies other than councils and IJBs?**

If you do not agree, what are your reasons for disagreement and what alternative do you suggest?

## Annual thematic reviews

**62.** Under the current Code, thematic reviews on Best Value themes specified by the Accounts Commission are carried out by appointed auditors at every council each year.

**63.** The proposal is for thematic reviews to be carried out by a central Audit Scotland team. The thematic work is closer to a performance audit than an assurance audit, and a central team would allow the participation of performance auditors who have the necessary skillsets. This would potentially bring greater consistency in approach, clearer comparisons across the sector and the development of coherent national messages.

**64.** There is also a proposal that the reviews should be carried out on a representative sample of councils each year. This would mean every council being included in a thematic review at least once over the five-year appointment rather than being included every year.

**Question 13: Do you agree that the Best Value annual thematic reviews should be carried out by a central Audit Scotland team and on a sample of councils each year?**

If you do not agree, what are your reasons for disagreement and what alternative do you suggest?

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# 5. Other proposals

## All sectors

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### Introduction

**65.** We have proposals around:

- explaining the relationship between going concern and financial sustainability
- defining the term significant in the context of wider scope reporting areas or Best Value
- sharing examples of good practice identified as part of normal audit work.

### Going concern and financial sustainability

**66.** Stakeholders have highlighted an apparent contradiction in an auditor concluding that a body was a going concern even if they have reported weaknesses in the body's arrangements for financial sustainability.

**67.** Under accounting and auditing standards, a body can be described as a going concern if it can adopt the going concern basis of accounting. The management of a body is required to assess whether a going concern basis is appropriate. Auditors are required to make their own assessment under the ISAs and to report a conclusion.

**68.** Auditors may conclude that the going concern basis of accounting is appropriate even if they have reported weaknesses in the body's arrangements for financial sustainability. That is not a contradiction, but rather it is a consequence of, in the public sector, the concepts of going concern and financial sustainability being related but discrete considerations:

- The financial reporting framework requires the going concern basis of accounting to be adopted unless the functions or services of a public body are to be discontinued. This applies even if a particular body was abolished provided the services delivered by that body (and the assets used to deliver them) are transferred to another body within the public sector.
- It follows that it may be appropriate for an audited body to adopt the going concern basis of accounting while having weaknesses in its arrangements for financial sustainability or experiencing funding gaps. The wording in the model Independent Auditor's Report, which all appointed auditors are required to follow, explains that

the conclusions on going concern are ‘not intended to, nor do they provide assurance on the current or future financial sustainability of the body’. It goes on to explain that the body’s arrangements for financial sustainability are reported in the separate Annual Audit Report.

**69.** It is proposed that the new Code (paragraphs 53 and 54 in the consultation draft) explains the following:

- Auditors are required by ISAs to assess the appropriateness of the going concern basis of accounting.
- In making that assessment, auditors should pay due regard to the application guidance in Practice Note 10 from the Public Audit Forum which advises that in most public bodies, the use of the going concern basis of accounting is straightforward where the body’s services will continue to be delivered by the public sector.
- A conclusion that the going concern basis of accounting is appropriate does not provide any assurance regarding financial sustainability.

**Question 14: Do you agree that the proposed explanation in the Code appropriately articulates the relationship between going concern and financial sustainability?**

If you do not agree, what alternative do you suggest?

**70.** Stakeholders have indicated that auditors should go further than they currently do when reporting on financial sustainability. The perception of some public bodies is that auditors simply report the difficulties that the body is already aware of, rather than providing solutions to funding challenges.

**71.** Auditors’ consideration of the arrangements for financial sustainability is intended to give independent assurance to the public and elected representatives that the body is looking to the medium to longer term and planning effectively to continue to deliver its services.

**72.** It is not appropriate for auditors to act in any way that suggests they are the financial advisors of audited bodies, and it is not the auditors’ responsibility to find solutions to any ‘funding gaps’ being experienced. However, while the audit role is primarily about providing assurance, auditors flag up weaknesses in arrangements and can make recommendations setting out:

- their judgement on the nature of the weakness they have identified
- the evidence on which their view is based

- the impact on the body
- the action the body needs to take to address the weakness.

**73.** In making recommendations, it is important to their independence that auditors avoid any perception that they have a role in the decision-making arrangements of the audited body.

**74.** Some stakeholders have suggested that auditors should focus on financial resilience rather than financial sustainability:

- Financial resilience is the ability to withstand and recover from a financial shock, and has a short-term or crisis-management focus.
- Financial sustainability is the ability to maintain financial health and growth over the long term and strategic goal.

**75.** We consider that arrangements for financial sustainability should remain the auditor's primary focus, but that should include an audited body's ability to bounce back from a crisis.

**Question 15: Do you agree that the Code clearly sets out the appropriate responsibilities of auditors when reporting on financial sustainability?**

If you do not agree, what alternative do you suggest?

## Significance

**76.** The current Code requires auditors to report matters related to the wider scope reporting areas or Best Value that are judged to be significant. The concept of 'significance' is broadly equivalent to the assessment of materiality for the audit of the annual accounts. However, the current Code does not clearly explain what is meant by the term significant in this regard.

**77.** In the context of public audit in Scotland, it is proposed that the new Code (paragraph 132 of the consultation draft) describes a matter as significant if, in the auditor's professional judgement, it is reasonable to conclude that the matter would be of importance to:

- those charged with governance at an audited body; or
- the Auditor General, Accounts Commission or Controller of Audit (using any guidance or advice provided by Audit Scotland).

**Question 16: Do you agree with the proposed definition of the term significant?**

If you do not agree, what alternative do you suggest?

## Good practice

**78.** The current Code does not refer to auditors sharing good practice. However, stakeholder feedback suggests that they would welcome that from auditors.

**79.** It is proposed that the new Code (paragraphs 82 and 104 of the consultation draft) should:

- encourage auditors to share examples of good practice identified as part of their normal audit work
- define good practice as approaches that auditors consider to be particularly effective, efficient, and beneficial, that go beyond standard procedures, and result in a higher level of quality, performance, or outcomes. The contrast is made with 'best practice' which represents the most effective or efficient approach among all known options
- require auditors to avoid any perception that, in sharing good practice, they have any role in the decision-making arrangements of the audited body.

### **Question 17: Do you agree with the proposed inclusion of references to sharing good practice in the Code?**

If you do not agree, what alternative do you suggest?

## Any other comments

### **Question 18: Do you have any other comments that the Auditor General or Accounts Commission should take into account in finalising their new Code?**

# Appendix – Summary of changes

Current Code	Proposed new Code
<p>The principles of public audit relate to the independent appointment of auditors; wider scope of audit; public reporting; and audit quality.</p>	<p>Additional principles are proposed on public accountability; professional judgement; risk-based and proportionate; professional scepticism; data-driven; appropriate knowledge and skills; and cooperation.</p> <p><a href="#">Paragraphs 10 to 41 of the <u>consultation draft</u></a></p>
<p>No differentiation between audited bodies of different sizes for the audit of the annual accounts.</p>	<p>Smaller bodies to have a separate assurance framework set out in guidance from Audit Scotland.</p> <p>The definition of smaller bodies to be based on whether a body's gross expenditure is below a monetary threshold.</p> <p><a href="#">Paragraphs 180 to 182</a></p>
<p>Audit of the annual accounts of all bodies carried out in accordance with ISAs.</p>	<p>Audit of the annual accounts of smaller bodies to be carried out in accordance with the standard on review engagements ISRE 2400.</p> <p>The Auditor General and Accounts Commission to be able to require a body meeting the smaller bodies definition to nevertheless be subject to an audit in accordance with ISAs.</p> <p><a href="#">Paragraphs 182, 184 and 185</a></p>
<p>Four wider scope areas specified for all sectors.</p> <p>Auditors use guidance from Audit Scotland to assess the arrangements in each wider scope area and for securing Best Value.</p>	<p>Wider scope areas as a concept to be discontinued in local government.</p> <p>Auditors appointed by the Accounts Commission to focus on statutory guidance from the Scottish Government when evaluating arrangements for securing Best Value.</p> <p>Audit work to be carried out primarily to support the overall conclusion on the arrangements in place to secure Best Value but would also support discrete conclusions on financial sustainability and financial management. <a href="#">Paragraphs 92 to 103</a></p>

Current Code	Proposed new Code
<p>Auditors of councils carry out a risk-based assessment of the Best Value arrangements using the themes in the Best Value statutory guidance.</p> <p>For local government bodies other than councils, auditors focus on how the body demonstrates that it has Best Value arrangements in place. There is no assessment of the Best Value themes.</p>	<p>Integration joint boards to be treated the same as councils.</p> <p><a href="#">Paragraph 183</a></p>
<p>Evaluation of wider scope areas and Best Value arrangements carried out in accordance with ISAs.</p>	<p>Evaluation of wider scope areas and Best Value arrangements to be carried out in accordance with the International Standard on Assurance Engagements (ISAE (UK) 3000).</p> <p><a href="#">Paragraphs 80 and 102</a></p>
<p>Auditors of less complex bodies report a conclusion only on financial sustainability. The conclusion gives reasonable assurance.</p> <p>Less complex bodies are defined using quantitative and qualitative criteria.</p>	<p>The term ‘less complex bodies’ to be replaced with ‘smaller bodies’ for consistency with the audit of the annual accounts.</p> <p>Auditors of smaller bodies appointed by the Auditor General to report a conclusion on all four wider scope areas.</p> <p>Reasonable assurance to be given for financial sustainability, with limited assurance for the other three areas.</p> <p>Auditors of local government bodies other than councils and IJBs to report a conclusion on financial sustainability and financial management. The conclusions to give limited assurance.</p> <p><a href="#">Paragraphs 187 to 189</a></p>
<p>No definition or explanation of the term significance.</p>	<p>A new definition that a matter is significant if, in the auditor’s professional judgement, it is reasonable to conclude that the matter would be of importance to:</p> <ul style="list-style-type: none"> <li>• those charged with governance at an audited body; or</li> <li>• the Auditor General, Accounts Commission or Controller of Audit (using any guidance or advice provided by Audit Scotland).</li> </ul> <p><a href="#">Paragraph 132</a></p>

Current Code	Proposed new Code
No explicit requirement to share good practice.	<p>A new requirement for auditors to share good practice identified during their normal audit work.</p> <p><a href="#">Paragraphs 82 and 104</a></p>
No explanation of the distinction and relationship between going concern and financial sustainability.	<p>The new Code to:</p> <ul style="list-style-type: none"> <li>• explain the distinction and relationship between going concern and financial sustainability</li> <li>• require auditors to reinforce that explanation when communicating with audited bodies.</li> </ul> <p><a href="#">Paragraphs 53 and 54</a></p>
Certification of grant claims carried out in accordance with ISAs.	<p>The engagement standard for certification of grant claims to be the International Standard on Related Services (ISRS) 4400 (on an agreed upon procedures basis).</p> <p><a href="#">Appendix 1</a></p>
Annual thematic reviews on Best Value carried out by appointed auditors at every council.	<p>The thematic reviews to be carried out by a central Audit Scotland team on a sample of councils each year.</p> <p><a href="#">Paragraph 106</a></p>
The Accounts Commission requires the Controller of Audit to report on each council at least once over the five-year audit appointment on the council's performance on its Best Value duty.	<p>The Controller of Audit to report to the Commission on a risk basis.</p> <p><a href="#">Paragraph 107</a></p>
Audit Scotland's impact monitoring and evaluation framework applies only to Audit Scotland audits.	<p>The scope of the impact framework to be extended to include the firms</p> <p><a href="#">Paragraph 137</a></p>

# Consultation on new Code of Audit Practice

Invitation to Comment



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