

Guidance on planning the annual audit

2023/24 annual audits of public bodies



 AUDIT SCOTLAND

Prepared by Innovation and Quality for auditors in all sectors

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Introduction

Purpose of guidance

1. The purpose of this guidance from Audit Scotland is to assist auditors appointed by the [Auditor General for Scotland](#) and the [Accounts Commission](#) to plan their 2023/24 annual audits of public bodies.
2. This guidance supplements the [Code of Audit Practice \(2021\)](#) and sets out the range of core annual audit activity and related outputs required for 2023/24, and the timescales for completing the audit in each sector.

Status of guidance

3. In accordance with Appendix 6 of the Code of Audit Practice, appointed auditors and their audit teams are required to comply with this guidance when planning, performing and reporting their 2023/24 audits.

Summary of audit activities

4. The largest component of core annual audit activity is the audit of a public body's annual accounts. However, the audit of the annual accounts has a wider scope than the private sector, and requires conclusions on aspects of public bodies' arrangements and performance. In local government, public audit includes considering arrangements to secure Best Value and community planning and publishing performance information. Auditors also provide important intelligence to the Auditor General, Accounts Commission and Audit Scotland in areas where they are best placed to do so.
5. The following table summarises:
 - the activities comprising the core annual audit that are reflected in the expected fee set by Audit Scotland
 - the outputs associated with each audit activity (with those produced by auditors distinct from those for which their work contributes)
 - the chapter in this guidance which covers each activity.

Auditor activity	Output (auditor-produced)	Output (auditor contributes)	Chapter
Perform an audit of the annual accounts and express specified audit opinions	Annual Audit Plan Any Management/Interim report(s) Independent Auditor's Report Annual Audit Report		2
Consider and report on wider-scope areas	Annual Audit Plan Annual Audit Report		3
Consider and report on Best Value arrangements	Annual Audit Plan Management report Annual Audit Report	Controller of Audit report	4
Perform an audit of approved claims and returns and report on them	Annual Audit Plan Auditor certificate on housing benefit subsidy claim Auditor certificate on non-domestic rate return	Non-Domestic Rates Account	5A
Provide assurance on specified returns	Annual Audit Plan Assurance Statement on Whole of Government Accounts (WGA) return Assurance Statement on consolidation schedules of health boards Assurance Statement on summary financial statements	Treasury WGA Scottish Government Consolidated Accounts A public body's separate Annual Report	5B 5C
Contribute information to sector annual reports	Information returns	Sector annual reports	6A
Prepare and submit Current Issues Returns for local government	Four Current Issues Returns	Current issues report	6B
Provide information on cases of fraud	Fraud Return on each case	Technical Bulletins Annual Fraud Report	6C

Auditor activity	Output (auditor-produced)	Output (auditor contributes)	Chapter
Contribute to National Fraud Initiative (NFI) report	Information return	National Report	6D
Contribute to Technical Guidance Notes	Consultation response sheet on draft Technical Guidance Notes	Technical Guidance Notes	6E
Highlight issues for potential statutory reports		Statutory reports	7A
Communicate emerging issues to Audit Scotland			7B
Contribute to sector meetings			7C
Carry out preliminary enquiries into referred correspondence		Response to correspondents	7D
Consider statutory objections to the annual accounts	Response to objection		7E
Provide information on cases of money laundering		Report to National Crime Agency	7F
Contribute to housing benefit performance audits		Housing Benefit Audit Report	7G
Contribute to the Shared Risk Assessment			7H
Share intelligence on health and social care			7I

6. The Annual Audit Report is a key output. The Code of Audit Practice requires auditors to produce an Annual Audit Report for each audit appointment. The report should be addressed to the audited body and (depending on the sector) to either the Auditor General or Controller of Audit.

7. The content of Annual Audit Reports is discussed throughout this guidance and submission dates are set out at chapter 9.

Submission of outputs

8. Auditors should submit to Audit Scotland all outputs that they are required to produce as follows:

Auditor	Submission
ASG	Save in the appropriate audited body's Financial Audit - Outputs library on SharePoint and email a hyperlink to outputs@audit-scotland.gov.uk
Firms	Email to outputs@audit-scotland.gov.uk

Fee for the Audit

9. Auditors should use the flexibility within the Fee for the Audit arrangements to resource the core annual audit activities set out in the table at paragraph 5. Guidance on determining agreed audit fees in conjunction with audited bodies, as well as the construction of expected fee ranges is included in [guidance](#) provided by Audit Scotland's Audit Quality and Appointments (AQA) team. The AQA guidance states that the planning guidance will advise of the level of expected fees below which auditors may negotiate an increase to auditor remuneration by up to 20% (rather than the standard 10%). The level for 2023/24 is unchanged at £35,000.

10. Although they are within core annual audit activity, the construction of expected fees by AQA does not provide for the following:

- The consideration of objections in local government (see section 7E). An additional fee may be required.
- The cost of auditing section 106 charities (explained in section 7J). Auditors should agree the fees for such audits at the same time as agreeing the fee for the council, and report them separately in the Annual Audit Plan.

Key changes for 2023/24

11. The following table provides a summary of the key changes in this guidance compared with the 2022/23 guidance, and the relevant chapter that explains it:

Nature of change	Chapter
The cap on 'clearly trivial' threshold for accumulating and reporting misstatements of £250,000 has been removed.	2
There are no specific areas of national or sectoral risk that auditors are mandated to consider.	3
Guidance on auditing Best Value in local authorities has been updated to reflect the thematic review of workforce innovation.	4
The process for Current Issues Returns has been revised.	6B

Nature of change	Chapter
Auditors are required to complete a brief information return for each body participating in the National Fraud Initiative.	6D
The arrangements for auditors to share intelligence on risks in the health and social care system have changed, and there is no longer a requirement to complete an intelligence sharing template.	7I

Contact points

The main contact points for this chapter are set out in the following table:

Area	Contact	Contact details
Fee for the audit	Owen Smith in AQA	osmith@audit-scotland.gov.uk
Remainder of the chapter	Innovation and Quality	TechnicalQueries@audit-scotland.gov.uk

1: Annual Audit Plans for 2023/24

As part of the audit planning process, appointed auditors should prepare an Annual Audit Plan that documents how they intend to meet their responsibilities for the delivery of high-quality audits in 2023/24 in accordance with this guidance.

The Annual Audit Plan should contain an overview of the planned scope and timing of the core annual audit activity to be carried out and be presented to those charged with governance at each body.

Components of plans

12. Annual Audit Plans should include the following components:

Required component	Explanation
Name of appointment lead	The appointment lead is the public sector equivalent of engagement partner and is: <ul style="list-style-type: none"> the individual in Audit Scotland appointed as auditor the partner or other individual in the firm who is responsible for delivery of the audit on behalf of the firm.
Planned work	Work planned to meet the auditor's responsibilities for core annual audit activity.
Work to address risks	Where significant risks to the annual accounts and wider-scope areas are identified at the planning stage, auditors should indicate the audit work planned in the year to address them.
Best Value	Guidance is provided at chapter 4.
Outputs	A complete list of outputs for 2023/24 planned to be produced by auditors that will be submitted to the audited body (i.e. information returns submitted to Audit Scotland only do not require to be included) and planned submission dates. The planned dates for submitting audit outputs should be when auditors expect to submit the final version, including an agreed action plan where applicable.
Responsibilities	The respective responsibilities of the audited body and auditor.
Independence	Confirmation of the independence of the appointed auditor.
Materiality	Information on materiality. Guidance is provided at chapter 2.

Required component	Explanation
Less Complex Bodies	An explanation of the judgement that the audited body is considered to meet the criteria to be treated as less complex for wider scope areas. Guidance is provided at chapter 3.
Agreed fee for the audit	Auditors should refer to the Introduction chapter for information on the construction of fees.

Submission of plans

13. Auditors should submit Annual Audit Plans to Audit Scotland in accordance with paragraph 8 as soon as they have been presented to those charged with governance, and no later than 31 March 2024 (30 June 2024 for colleges).

14. If it is not possible to present the plans to those charged with governance before 31 March (30 June for colleges), e.g. due to the scheduling of meetings, auditors should submit draft plans to Audit Scotland by the target date, indicating when the final version will be available, and submit those final plans as soon as possible.

15. AQA does not approve Annual Audit Plans but will contact auditors if more information is needed. For example, this may be the case if auditors do not provide explanations for any fees above the expected fee, or fail to clearly identify whether the fee has been agreed with the audited body.

Contact point

The main contact point for Annual Audit Plans is Owen Smith in AQA - osmith@audit-scotland.gov.uk.

2: Auditing the annual accounts

Appointed auditors are required to perform an audit of the financial statements of public bodies, consider other information within their annual accounts, and express a number of audit opinions in an Independent Auditor's Report in accordance with [ISAs \(UK\)](#), [Practice Note 10](#) and [guidance](#) from Audit Scotland's Innovation and Quality group.

Risks of material misstatement in financial statements

16. As part of auditing the financial statements (and Remuneration Report), auditors are required by ISA (UK) 315 to identify and assess risks of material misstatement.

17. The Professional Support section within Innovation and Quality will provide auditors with Technical Guidance Notes (TGNs) to assist in the consistent identification of risks of material misstatements. The TGNs are scheduled to be published in:

- November 2023 ([local government](#))
- January 2024 ([central government](#)), with a module for health boards in February 2024 and colleges in August 2024.

18. The TGNs will also assist auditors in performing a high-quality audit by explaining Professional Support's view on the appropriate accounting treatment related to each risk and setting out the action auditors should undertake. This is intended to inform auditor's professional judgement and promote the exercise of professional scepticism. Auditors should pay due regard to the TGNs and should advise Professional Support of any intended departure from the guidance.

Statutory Other Information

19. In addition to the financial statements and Remuneration Report, the annual accounts include Statutory Other Information, e.g. a Management Commentary/Performance Report and Governance Statement. Auditors are required to consider whether the Statutory Other Information is consistent with the financial statements and has been prepared in accordance with applicable requirements.

20. The TGNs will set out the procedures that auditors should carry out.

Materiality

21. The concept of materiality is applied by auditors both in planning and performing the audit, and in evaluating the effect of any uncorrected misstatements on the financial statements. Auditors should:

- explain the concept of materiality and the materiality figures used (as a whole and performance materiality) in the Annual Audit Plan. If there is a lower materiality for particular transactions or balances, this should also be explained
- consider the public interest factor inherent to their work and apply judgement when determining the above amounts, in compliance with [ISA \(UK\) 320](#) and Practice Note 10
- include in their Annual Audit Plans the 'clearly trivial' thresholds for accumulating and reporting misstatements under [ISA \(UK\) 450](#). In previous years, the threshold was capped at £250,000. For 2023/24, the cap has been removed but auditors should continue to reflect the public interest factor when setting an appropriate threshold.

Receipt of unaudited annual accounts

22. The timescales for receiving the unaudited annual accounts are summarised in the following table:

Sector	Legislation	Timescales
Local government	The Local Authority Accounts (Scotland) Regulations 2014 (accounts regulations)	Requirement to submit unaudited annual accounts to auditors by 30 June 2024.
Other sectors	Public Finance and Accountability (Scotland) Act 2000 (PFA Act)	Six month statutory deadline for submitting accounts for audit. However, auditors should agree with the body when the accounts will be received bearing in mind the target dates for submitting the audited annual accounts to Audit Scotland (set out later in this chapter).

Consultation with Professional Support

23. Appointment leads and audit teams are encouraged to [consult with Professional Support](#) within the Innovation and Quality group on complex technical matters. This may include obtaining a second opinion on the applicable accounting treatment for an unusual transaction, an interpretation of a public sector financial reporting requirement, or a view on the appropriate accounting policy for a complex matter.

24. When consulting with Professional Support, auditors are asked to:
- use the TechnicalQueries@audit-scotland.gov.uk email address (using another address may result in delays in responding)
 - provide Professional Support with sufficient information and time to properly consider the matter
 - form their own preliminary judgement on the matter; Professional Support can then provide advice to inform auditor' final judgement.
25. Where any emerging technical risks may have wider application to other bodies Professional Support will then disseminate information to other auditors (e.g. a Frequently Asked Questions note) to promote a consistent approach.

Technical developments

26. In order to deliver a high-quality audit, auditors are expected to keep their knowledge up-to-date on the main public sector technical developments that are relevant to their audit appointments. Professional Support provides information on [latest technical news](#) on an ongoing basis and will provide quarterly [Technical Bulletins](#) to assist in this regard, and to provide guidance on any emerging risks.

Group audits

27. Most councils and many other audited bodies prepare group financial statements which therefore require a group audit. [ISA \(UK\) 600](#) requires the group auditor to assess the component auditor's independence, competence and the regulatory environment in which they work. As part of documenting their assessment, group auditors should consider using the Quality of Public Audit in Scotland Report which is issued in June each year by AQA where the component auditor is appointed by the Auditor General and Accounts Commission.

28. The expectations of group and component auditors are summarised in the following table:

Group auditor	Component auditor
Ensure the parent body provides appropriate direction to its components on the timely completion of their audits	Cooperate with group auditors in providing appropriate assurances
Correspond with component auditors in sufficient time	Complete relevant questionnaires from the group auditor and submit on time

Shared systems and functions

29. The Auditor General and Accounts Commission strongly encourage auditors to seek efficiencies and avoid duplication of effort by liaising closely with other auditors, agreeing an appropriate division of work and sharing audit findings. The arrangements referred to below merit special mention.

Assurance protocols

30. The Professional Support section within the Innovation and Quality group produces protocols to provide an agreed framework for auditors to seek and provide assurances in specific areas. The [assurance protocols](#) that will be produced for 2023/24 audits are set out in the following table:

Protocol	Subject	Scheduled publication
Local Government Pension Scheme	Assurances sought between auditors of pension funds and auditors of employing bodies in respect of the calculation of pension contributions and reliability of source data passed to actuaries.	January 2024
Integration Joint Boards (IJB)	Assurances sought from IJB auditors from the auditor of the constituent councils and health board in respect of the controls in place at those bodies and the amounts included in the IJB accounts.	February 2024
Clinical Negligence and Other Risks Indemnity Scheme (CNORIS)	Assurances provided to auditors of health boards on the Central Legal Office's (CLO) work intended to: <ul style="list-style-type: none"> provide assurance on the methodology used in the calculation of the CNORIS national obligation at 31 March 2024 inform auditors' evaluation of the role of the CLO as a management expert. 	May 2024

Service auditor and similar assurance reports on health boards

31. Assurance reports are prepared by service auditors in the health sector under [ISA \(UK\) 402](#) covering the national systems/arrangements. There are also similar reports providing assurance in specific areas. These reports are summarised in the following table:

Shared service	Service auditor and similar reports
<p>Primary care payments</p> <p>This arrangement covers payments made by NHS National Services Scotland (NSS) to primary care practitioners on behalf of health boards for general medical services, general dental services, general ophthalmic services and general pharmaceutical services.</p>	<p>NSS produces an assurance report and procures a service auditor report from PWC which it provides to the health boards concerned (expected in May 2024). The external auditor of the NSS will review the work of the service auditor and report the results of the review to the auditors of health boards.</p>
<p>National IT contract</p> <p>This contract covers the services provided by ATOS Origin Alliance.</p>	<p>NSS procures a service auditor report from PWC which will be issued in May 2024 to the health boards concerned.</p>

Shared service	Service auditor and similar reports
<p>National Single Instance (NSI) eFinancials</p> <p>NHS Ayrshire & Arran host this service including the Real Asset Management system on behalf of all Scottish health boards.</p>	<p>The service audit provider BDO LLP are expected to issue their report in May 2024.</p>

32. Other service auditor reports may be provided by boards to cover arrangements they have in place with other individual boards. For example, NSS issues a service report to NHS Healthcare Improvement Scotland, NHS 24 and other bodies for the payroll services that they provide.

33. Auditors of user bodies should consider the auditor assurance reports when evaluating health board systems. Auditors are advised to examine service auditor reports for 2023/24 audits and identify any gaps in the assurance, such as any main financial IT applications and controls which are out of scope. Where auditors identify gaps in assurance, they should consider whether any additional procedures could be performed.

Scottish Government shared systems

34. The Scottish Government is responsible for the financial systems which provide income and expenditure information for inclusion within the financial statements of a range of public bodies. The auditor of the Scottish Government will provide details of external audit work carried out on the Scottish Government's main financial systems. This is provided to support auditors' understanding of the nature and significance of the services provided by the Scottish Government and their effect on relevant internal controls, as part of the overall identification and assessment of risks of material misstatement.

35. These main systems include Cash and bank; Accounts payable; Accounts receivable; Payroll; and General ledger (Scottish Executive Accounting System). The controls testing undertaken reflects the auditor's understanding of the key controls and the controls apply equally across all entities who utilise Scottish Government systems.

36. It is expected that information will be provided by the Scottish Government auditor in June 2024.

Independent auditor's report

37. The Code of Audit Practice requires auditors to report on their audit and consideration of the annual accounts in an [Independent Auditor's Report](#) prepared as specified in guidance provided by Professional Support. Auditors are required to express separate opinions in the Independent Auditor's Report on:

- the financial statements
- the regularity of income and expenditure (other than local government)
- the audited part of the Remuneration Report

- whether the Management Commentary/Performance Report and Governance Statement are consistent with the financial statements and have been prepared in accordance with requirements.

38. Conclusions are also required on specified matters on which auditors are required to report by exception, e.g. whether adequate accounting records have been kept.

39. The TGNs containing guidance on the above for 2023/24, including model forms of Independent Auditor's Reports, will be available to audit providers from the [Independent Auditor's Report](#) site in Audit Scotland's SharePoint. The scheduled months for publishing the TGNs are set out in the following table:

Sector	Scheduled month
Central government	February 2024
Health	March 2024
Local government	April 2024
Colleges	August 2024

40. Independent Auditor's Reports are an integral part of the audited annual accounts which are submitted to Audit Scotland (covered later in this chapter). There is no requirement for the Independent Auditor's Reports to be submitted separately.

Going concern

41. The concept of going concern applies in the public sector but in a different way to the private sector. The guidance in Practice Note 10 on applying ISA (UK) 570 Going Concern advises that in most public bodies, the use of the going concern basis of accounting is straight-forward because the applicable financial reporting frameworks envisage that it will apply where the body's services will continue to be delivered by the public sector. Auditors may therefore be able to conclude that a going concern basis of accounting is appropriate without significant work such as detailed cashflow projections.

42. Audit Scotland does not expect that auditors will generally have to report any matter in the Independent Auditor's Report in respect of going concern, and can simply use the standard wording in the model forms of Independent Auditor's Report.

43. More audit work is appropriate where there is an intention by the government to discontinue a body's operations or transfer their functions outwith the public sector (privatised). If the body's functions are to be discontinued or privatised, auditors may wish to seek confirmation from the sponsor department that the body continues to have financial backing to utilise its assets and meet liabilities as they fall due. If adequate confirmations are received, it is reasonable to conclude that the going concern basis is appropriate. If no such confirmation is provided, auditors may decide there is a material uncertainty to be disclosed.

44. Auditors should refer to the fuller guidance provided in [Going concern in the public sector - Guide for auditors](#).

Key audit matters

45. [ISA \(UK\) 701](#) defines key audit matters as those selected from matters communicated to those charged with governance that were of most significance in the audit of the financial statements. It requires key audit matters to be reported in the Independent Auditor's Report. This requirement applies directly to the small number of public bodies that are public interest entities or which report on how they have applied the UK Corporate Governance Code.

46. Paragraph 80 of the Code of Audit Practice (2021) applies the requirement to communicate key audit matters to all bodies but requires them to be reported in the Annual Audit Report. This includes those bodies that also report them in the Independent Auditor's Report. In summary, auditors should:

- determine the matters communicated to those charged with governance that required the most significant auditor attention in the audit
- describe each key audit matter in the Annual Audit Report including a reference to the related disclosures, if any, in the financial statements
- explain why the matter was considered to be of most significance in the audit and how it was addressed in the audit, including significant judgments made by the audit team with respect to the matter.

47. Paragraphs 11(a) and 16-1 of ISA (UK) 701 continue to apply and therefore Annual Audit Reports are required to include:

- a description of the most significant assessed risks of material misstatement that were identified by the auditor which had the greatest effect on the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the audit team
- how each of the above significant risks of material misstatement was addressed, including significant judgements made with respect to each one
- the materiality threshold for the financial statements as a whole and performance materiality, and an explanation of the significant judgments in determining these amounts
- an overview of the scope of the audit, including an explanation of how it addressed each of the significant assessed risks of material misstatement and how it was influenced by the auditor's application of materiality.

Less Complex Bodies

48. Paragraph 84 of the Code of Audit Practice (2021) states that a full ISA-compliant audit of the annual accounts is required for bodies that are determined to be less complex (Less Complex Bodies) unless an alternative approach is specified. An alternative approach has not been specified for 2023/24, and therefore auditors should perform their audit of the accounts of Less Complex Bodies in accordance with ISAs (UK).

49. Guidance on wider-scope work for Less Complex Bodies is provided in chapter 3.

Submission of audited annual accounts

Target submission dates

50. Auditors should submit the audited annual accounts of each audited body, incorporating the signed Independent Auditor's Report, to Audit Scotland in accordance with paragraph 8. Auditors should aim to submit the audited annual accounts by the target date set for the relevant sector.

51. The target submission dates set by the Auditor General and Accounts Commission for 2023/24 are explained in the following table:

Sector	Target dates	Comments
Health	30 June 2024	This date is set to be consistent with the administrative date set by the Scottish Government for health boards to submit their audited accounts.
Central government - agencies and non-ministerial departments (NMDs)	31 August 2024	The date for agencies and NMDs is, like health, set to be consistent with the administrative dates set by the Scottish Government.
Local government	30 September 2024	The submission date for local government is set to be consistent with the statutory date specified in accounts regulations by which a body is required to aim to approve its audited annual accounts for signature.
Central government – NDPBs and similar bodies	31 October 2024	There is currently no administrative date set by the Scottish Government for NDPBs and similar bodies outside the consolidation boundary to submit their audited accounts. The Auditor General has set a date of 31 October to allow sufficient time to arrange for the accounts to be laid before Parliament and published by the statutory date (explained later in this chapter) and for the preparation of any statutory reports (explained at section 7A).

Sector	Target dates	Comments
College	31 December 2024	This is set to be consistent with the submission date set by the Scottish Funding Council.

52. The Auditor General and Accounts Commission require audit providers to prioritise the delivery of high-quality audits and the wellbeing of audit staff over meeting the above dates. This is consistent with the Financial Reporting Council which has made clear that audit quality takes precedence over deadlines.

Signatures

53. Auditors are encouraged to use qualified electronic signatures for signing the audited accounts (appointment lead and audited body signatures).

[Guidance](#) has been provided by Audit Scotland. The options for signing the accounts, and related submission requirements, are set out in the following table:

Type of signature	Submission requirements
DocuSign	Audit Scotland offers the option to use DocuSign. Where appointment leads use DocuSign, there is no need to separately submit the signed accounts in either a pdf or paper format as that is done automatically as part of the process.
Alternative qualified electronic signatures system	Where auditors use an alternative qualified electronic signatures system, they should submit the signed audited annual accounts to Audit Scotland in accordance with paragraph 8. The accounts must be in an electronically searchable pdf format. A paper copy of the accounts is not required.
Qualified electronic signature not used, i.e. signatories use own actual signature	Where a qualified electronic signature system is not used, in addition to submission in an electronically searchable pdf format, auditors should also submit signed paper copies of the annual accounts (one set for local government and two sets for other sectors) to: Owen Smith, Audit Scotland, 102 West Port, Edinburgh, EH3 9DN. Auditors should agree locally the number of paper copy signed sets of audited annual accounts required by the audited body.

Laying accounts

54. The Auditor General is required to send to the Scottish Ministers the audited annual accounts (other than for local government) who are then required to lay the accounts in the Scottish Parliament by 31 December 2024. AQA arrange on behalf of the Auditor General for the accounts to be sent to the minister of the appropriate department. The options are set out in the following table:

Options	Action
AQA send the accounts and covering letter to the relevant department directly	<p>The recommended option is for AQA to send the audited accounts with a covering letter to the relevant department directly.</p> <p>Auditors should contact AQA if bodies wish to have their accounts laid by a particular date.</p> <p>AQA will send auditors a copy of the covering letter.</p>
AQA send the accounts and covering letter to the body	Some bodies prefer to submit their audited accounts to the department themselves. Where that is the case, AQA send the accounts and covering letter to the body so it can do so.

Publication of accounts

55. Local government bodies are required to publish their 2023/24 audited annual accounts on their website no later than 31 October 2024.

56. Bodies in other sectors must wait until their audited annual accounts have been laid in Parliament before publishing them on their websites.

57. Appointment leads may simply use their typed name in place of actual signatures for the set of accounts that are published on websites.

Contact points

The main contact points for auditing the annual accounts are set out in the following table:

Area	Contact	Contact details
Scottish Government shared service	Helen Russell or Inire Evong in the Scottish Government audit team	hrussell@audit-scotland.gov.uk or ievong@audit-scotland.gov.uk
Submission and laying of audited annual accounts	Owen Smith in AQA	osmith@audit-scotland.gov.uk
DocuSign	John Gilchrist in AQA	jgilchrist@audit-scotland.gov.uk
Remainder of chapter	Professional Support in the Innovation and Quality group	TechnicalQueries@audit-scotland.gov.uk

3: Areas of wider audit scope

Appointed auditors are required to consider the areas defined in the Code of Audit Practice (2021) as wider-scope audit when:

- identifying significant audit risks at the planning stage of the annual audit
- reporting the work done to form conclusions on those risks
- making recommendations for improvement and, where appropriate, setting out conclusions on the audited body's performance.

Wider-scope areas

58. The Code of Audit Practice sets out four areas (at paragraphs 62 to 70) that constitute the wider scope of public audit in Scotland. These are summarised in the following table.

Area	Meaning	Audit role
Financial management	Having sound budgetary processes. Audited bodies should understand the financial environment and whether internal controls are operating effectively.	Auditors should consider whether the body has effective arrangements to secure sound financial management including the strength of the financial management culture, accountability and arrangements to prevent and detect fraud, error and other irregularities, bribery and corruption.
Financial sustainability	Being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.	Auditors should look ahead to consider whether the body is planning effectively to continue to deliver services.

Area	Meaning	Audit role
Vision, leadership and governance	Audited bodies must have a clear vision and strategy, and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.	Auditors consider the clarity of plans to implement the vision, strategy and priorities adopted by the leaders of the audited body. Auditors also consider the effectiveness of governance arrangements for delivery, which includes openness and transparency of decision-making; robustness of scrutiny and shared working arrangements; and reporting of decisions and outcomes, and financial and performance information.
Use of resources to improve outcomes	Audited bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency and effectiveness through the use of financial and other resources, and reporting performance against outcomes.	Auditors consider the clarity of the arrangements in place to ensure that resources are deployed to improve strategic outcomes, meet the needs of service users taking account of equalities, and deliver continuous improvements in priority services.

Local risk assessments

59. Auditors should consider the arrangements in place for the wider-scope areas when undertaking their annual risk assessment of the audited body with a view to preparing their 2023/24 Annual Audit Plans.

60. Appendix 1 of AQA's supplementary guidance on wider scope audit provides a series of questions as examples of issues that auditors should consider when carrying out their risk assessment. The appropriate audit response to a significant risk is set out in the following table:

Identification of significant risks	Auditor response
Possible significant risk	Carry out further work to substantiate whether a significant risk exists
Significant risks identified	Explain the work planned during the year to obtain sufficient evidence to provide conclusions

Identification of significant risks	Auditor response
No significant risks identified	State explicitly in Annual Audit Plan that significant risks have not been identified

National risk assessment

61. Guidance may supplement auditors' own local risk assessments where there are particular areas of national or sectoral risk that the Auditor General and Accounts Commission wish auditors to consider. However, there are no such risks specified for 2023/24.

62. Nevertheless, climate change continues to be an area of particular focus, and the following paragraphs explain the position.

Climate change

63. Public bodies are required to meet national and local targets for reducing emissions and to adapt to the impact of climate change. Public audit has an important role to play in helping drive change, supporting public accountability and sharing good practice. The planning guidance for 2022/23 audits required auditors to gather information on the arrangements for responding to climate change in each body. This included:

- the targets each body has set for reducing its own emissions or in its local area
- whether the body has a climate change strategy or action plan which sets out how the body intends to achieve its targets
- how the body monitors and reports progress towards meeting its emission targets internally and publicly.

64. The information provided by auditors will be analysed centrally by Audit Scotland to draw conclusions that can be used to determine an appropriate course of action over the period of audit appointment. However, the information will not be available until later in the year.

65. This guidance is therefore not mandating any specific actions by auditors for 2023/24. Any work will flow from auditors' local risk assessment processes (referred to at paragraph 59). Guidance on requirements for 2024/25 onwards will be provided in due course.

66. For information, Audit Scotland centrally intends to carry out the following activities related to climate change in the short term:

- An overall approach to auditing climate change will be developed.
- A central review of disclosures related to climate change in public bodies' 2022/23 annual accounts will be carried out by I&Q and shared in a Good Practice Note.

- I&Q will continue to participate in discussions around the development and implementation of new climate change financial reporting standards and will keep auditors apprised of progress.
- I&Q will liaise with the firms to benefit from their experience of auditing climate change in the private sector.

Less Complex Bodies

67. Paragraphs 83 and 85 to 86 of the Code of Audit Practice (2021) address a more limited audit of wider-scope areas for any public bodies that are less complex owing to their size and limited financial activity (referred to as Less Complex Bodies).

68. AQA specifies in supplementary guidance that a body with gross income, expenditure, assets and liabilities less than £10.2 million is likely to be a Less Complex Body unless:

- the auditor identifies any wider scope risks beyond financial sustainability
- AQA advises that, despite its size, the body is of strategic importance
- the body is subject to significant public scrutiny
- the body requests a full wider scope audit
- a statutory report was prepared in 2022/23 related to wider scope issues.

69. Where auditors judge that a public body meets the criteria to be classified as a Less Complex Body, auditors should explain in the 2023/24 Annual Audit Plan:

- the reasons for the classification
- how their judgement aligns with the supplementary guidance.

70. The audit of wider scope areas in a Less Complex Body may be restricted to an evaluation of financial sustainability.

Reporting in the Annual Audit Report

71. Based on the work carried out, auditors should:

- report explicit conclusions in respect of the effectiveness and appropriateness of the arrangements in place for each wider-scope area on the wider-scope areas in the Annual Audit Report
- provide a clear and unambiguous narrative that explains the audit findings and the judgements that underpin the conclusions (simply describing the arrangements in place at an audited body would not be sufficient)
- make recommendations for improvement to mitigate any significant risks that remain
- report any good practice identified.

Contact points

The main contacts for wider-scope areas in 2023/24 are set out in the following table:

Area	Contact	Contact details
Climate change	Rebecca Seidel in PABV	rseidel@audit-scotland.gov.uk
Less Complex Bodies	John Gilchrist in AQA	jgilchrist@audit-scotland.gov.uk
Remainder of chapter	Innovation and Quality	TechnicalQueries@audit-scotland.gov.uk

4: Considering Best Value arrangements

Local government bodies have a duty under the [Local Government in Scotland Act 2003](#) to make arrangements which secure Best Value. Best Value is continuous improvement in the performance of the body's functions, having regard to:

- efficiency
- effectiveness
- economy
- the need to meet equal opportunity requirements.

Local government bodies are required to follow [statutory guidance](#) in respect of their Best Value duties.

The wider scope of core annual audit activity in local government includes the statutory duty of auditors under section 99(1)(c) of the Local Government (Scotland) Act 1973 (the 1973 Act) to be satisfied that bodies have made proper arrangements to secure Best Value.

Paragraph 60 of the Code of Audit Practice (2021) extends this responsibility to other sectors and requires auditors to consider the arrangements put in place by Accountable Officers to meet their Best Value obligations.

Best Value audit in councils

72. The audit of Best Value in councils is fully integrated within the annual audit work performed by appointed auditors and their teams. Auditors are required to evaluate and report on the performance of councils in meeting their Best Value duties.

73. Support for Best Value audit is provided by a central support team embedded within Audit Scotland's Performance Audit and Best Value (PABV) business group.

74. There are the following five aspects to auditors' work:

- Following up previous improvement actions.
- Risk based consideration of themes.
- Assessing the effectiveness of performance reporting.

- Thematic reviews.
- Contributing to Controller of Audit reports.

Follow-up

75. Auditors should follow up Accounts Commission findings, Controller of Audit recommendations and any outstanding improvement actions reported in Best Value Assurance Reports, Best Value thematic reports and Annual Audit Reports.

76. Auditors should:

- establish the progress made against the actions
- make judgements on the pace and depth of improvements
- report judgements in their Annual Audit Reports.

Risk-based consideration of themes

77. The [statutory guidance](#) which councils are required to follow sets out seven Best Value themes. The guidance details for each of the themes what a council should be able to demonstrate to achieve Best Value.

78. Auditors should consider the council's arrangements in respect of the themes to identify any significant risks. Where risks or improvement areas are identified (or where a previous assessment needs to be updated), they should be prioritised and auditors should plan appropriate coverage over the period of the five year audit appointment. Coverage is risk-based, and there is no requirement for detailed work on every theme over the appointment (except the performance reporting aspects of theme 3 – see below). However, Audit Scotland expects auditors to have some knowledge on all themes.

79. Significant risks planned for coverage in 2023/24 should be included in the Annual Audit Plan for that year. Auditors should report findings, judgements and improvement actions in the Annual Audit Report.

Effectiveness of performance reporting

80. Theme 3 in the Best Value statutory guidance is the effective use of resources, an element of which is performance reporting. Auditors are required to carry out work on performance reporting annually. Work required for 2023/24 is set out in the following table:

Element from statutory guidance	Auditor action
<p>Effective performance management arrangements are in place to promote the effective use of the local authority's resources. Performance is systematically measured across all areas of activity, and performance reports are regularly scrutinised by managers and elected members. The performance management system is effective in addressing areas of underperformance, identifying the scope for improvement and agreeing remedial action.</p>	<p>Auditors should report in the Annual Audit Report a summary of what the council is reporting on its service performance. This should include:</p> <ul style="list-style-type: none"> the council's assessment of progress against its service priority measures in 2023/24 and over time what the council is reporting on its relative performance in 2023/24 and over time (from the Local Government Benchmarking Framework and other information used locally). <p>Auditors should determine and report on the effectiveness of council processes for reporting and scrutiny of performance against its priorities. Appendix 2 of the AQA guidance sets out issues for auditors to consider in making this determination.</p>
<p>Improvement plans reflect a pace and depth of improvement that will lead to the realisation of the local authority's priorities and the long-term sustainability of services.</p> <p>The local authority demonstrates a trend of improvement over time in delivering its strategic priorities.</p>	<p>Auditors should be looking for councils to demonstrate continuous improvement in how they deliver their priority services:</p> <ul style="list-style-type: none"> The pace of this improvement is key to how well councils meet their priorities in the future. Depth of improvement is the extent to which services implement improvements across a council. <p>A core element of the Controller of Audit reports outlined below will be a consideration of how effectively the council can demonstrate improvement over time.</p> <p>Auditors should report a conclusion in the Annual Audit Report on whether the council can demonstrate a trend of improvement over time in delivering its priorities.</p>
<p>Performance information reporting to stakeholders is regular and gives a balanced view of the local authority's performance, linked to its priority service areas. The information provided is relevant to its audience, and clearly demonstrates whether or not strategic and operational objectives and targets are being met.</p>	<p>The Accounts Commission issued a new Statutory Performance Information Direction in December 2021 which applies for the three years from 2022/23. It requires a council to report its:</p> <ul style="list-style-type: none"> performance in improving local public services (including those provided with its partners and communities), and progress against agreed desired outcomes (SPI 1) own assessment and audit, scrutiny and inspection body assessments of how it is performing against its duty of Best Value, and how it has responded to these assessments (SPI 2).

Element from statutory guidance	Auditor action
	In accordance with their statutory duty, auditors should satisfy themselves that councils have made proper arrangements for preparing and publishing the statutory performance information in accordance with the Direction, and report a conclusion in the Annual Audit Report

Thematic reviews

81. Auditors are required to report on Best Value or related themes prescribed by the Accounts Commission. The audit input on this work is not expected to exceed 40 days each year. As thematic review work is integrated with the annual audit, it should be documented in the working papers for each audit. A review of the lessons learned from the thematic work in 2022/23 will be carried out to inform future reviews.

82. The thematic work for 2023/24 is on the subject of workforce innovation. That involves auditors considering how councils are responding to the current workforce challenge through building capacity, increasing productivity and innovation. In carrying out the consideration, auditors should provide examples in responding to the questions set out in the following table:

Number	Questions
1	How effectively are the council's workforce plans integrated with its strategic plans and priorities?
2	How effectively has digital technology been used to support workforce productivity and improve service quality and outcomes?
3	How effectively is the council using hybrid and remote working and other innovative working practice such as a four-day week to achieve service and staff benefits?
4	What innovative practice is the council using to develop its future workforce capacity and skills needs and manage staff reductions in line with its priorities?
5	What progress has the council made with sharing roles or functions across its services and/or with other councils and partners?
6	How effectively is the council measuring the impact of its workforce planning approach?

Judgements

83. Guidance and supporting materials are provided to auditors on the [Best Value Support](#) site. Based on the evidence obtained for the work performed, auditors should make a judgement on each of the questions detailed above.

Management report

84. Auditors are required to report their conclusions on the thematic review in a separate management report on this work using a template provided on the [Best Value Support](#) site. The report is a formal output of each audit and should be reported in public to those charged with governance in the council prior to conclusion of the 2023/24 audit. All such reports will also be published on the Audit Scotland website as explained in Chapter 9.

Annual Audit Report

85. Auditors should report a summary of the findings and conclusions from this work in each council's 2023/24 Annual Audit Report. Any areas for improvement identified should be included in the audit recommendations/ action plan points in the Annual Audit Report. Follow up of progress in implementing the improvements should be reported in future years reports.

National reporting

86. The Commission will decide how best to report on the national messages from this work across Scotland. Consultation with auditors may be necessary as part of this process. Auditors may be asked to provide further detail on the audit findings where it is needed to support national reporting.

Controller of Audit reports

87. The Controller of Audit also reports to the Accounts Commission on each council's performance in meeting its Best Value duties at least once over the five-year audit appointment.

88. The reports will be prepared for the Controller by PABV staff and will be a summary of information and judgements reported by each auditor. Auditors are therefore required to include current judgments on the pace and depth of continuous improvement in the council in their Annual Audit Report. The latest Annual Audit Report will be presented to the Commission with the Controller's reports.

89. The following councils are scheduled for the first year of the programme between October 2023 and August 2024:

Councils scheduled in 2023/24 programme

Falkirk	Moray	Clackmannanshire	Orkney Islands
South Ayrshire	Dumfries and Galloway	West Dunbartonshire	City of Dundee

90. In addition, the Accounts Commission asked for a follow up report, in response to the previous Best Value Assurance Report, on Shetland Islands Council. This is scheduled for February 2024.

91. In order to give advance notice, auditors should note that the following councils are scheduled for reporting in the second year of the programme between October 2024 and August 2025:

Councils scheduled in 2024/25 programme

Edinburgh	Comhairle nan Eilean Siar	Scottish Borders	Highlands
East Lothian	Fife	Argyll & Bute	East Renfrewshire

Best Value in other local government bodies

92. Auditors' duty to consider the arrangements to secure Best Value also applies to other bodies that fall within section 106 of the 1973 Act. This includes IJBs, valuation joint boards, joint committees, and transport partnerships.

93. Auditors should undertake this duty in a way that is proportionate to the size and type of body. The following points should be given due regard:

- Auditors should consider how the body demonstrates that it is meeting its Best Value responsibilities.
- Work undertaken on the wider-scope areas will contribute to auditors' consideration. In the case of Less Complex Bodies, auditors should consider how the work carried out on financial sustainability also meets the Best Value responsibilities.
- Auditors should report on the body's arrangements for meeting its Best Value responsibilities in the Annual Audit Report.
- Detailed risk-based audit work against the Best Value themes is not required.
- There are no Controller reports (Although the Code suggests that Controller reports would be required for IJBs, this no longer applies).

Best Value in sectors other than local government

94. For sectors other than local government, the Scottish Public Finance Manual (SPFM) explains that Accountable Officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. [Ministerial guidance to Accountable Officers](#) for public bodies sets out their duty to ensure that arrangements are in place to secure Best Value in public services.

Arrangements for Best Value

95. Auditors should confirm that there are organisational arrangements in place to secure Best Value when planning and reporting on the wider-scope areas.

Best Value characteristics

96. Auditors may also carry out specific audit work covering the seven Best Value characteristics set out in the SPFM. The nature and extent of this work will be generally determined by auditors' annual risk assessment.

97. However, there is an expectation that equalities will be advanced through the audit process, and auditors should carry out work on the Fairness and Equality characteristic at least once during the audit appointment. Audit Scotland will provide further guidance to clarify the extent of work anticipated.

Contact points

The main contacts for Best Value audit activity are:

- Carol Calder – ccalder@audit-scotland.gov.uk
- Fiona Mitchell-Knight – fmitchell-knight@audit-scotland.gov.uk

5: Other audit outputs

Paragraph 81 of the Code of Audit Practice (2021) advises that the following other outputs may be required from appointed auditors as core annual audit activity in accordance with [guidance](#) from Audit Scotland:

- Certificates on grant claims and similar returns prepared by audited bodies.
- Assurance statements for Whole of Government Accounts returns or other consolidation schedules.
- Reports on summary financial information.

5A Certificates on grant claims and returns

Approved claims and returns

98. Auditors are required to provide certificates on specified grant claims and similar returns prepared by audited bodies as part of the audit appointment where they have been approved by Audit Scotland. The two approved claims/returns for 2023/24 relate to housing benefit (HB) subsidy and non-domestic rates (NDR).

99. TGNs providing guidance on their certification are scheduled for publication in April (HB) and May (NDR). These TGNs will advise of the dates for submission of the certificates.

Other returns

100. No other grant claim or similar return may be certified under the audit appointment. However, audit providers may be permitted to undertake this work as a non-audit service rather than as core annual audit activity. If an auditor is approached by a body with a request for such work, the auditor should have regard to the following:

- Certification by internal audit should be encouraged where the paying agency finds this acceptable.
- Where certification by an independent accountant is required, but not specifically the external auditor, bodies may prefer to arrange to have the work carried out by a local firm of accountants.
- Where certification by the external auditor is required or auditors otherwise wish to undertake the work, they are required to seek approval from AQA before accepting it.

101. The fee arrangements for non-audit services (as explained in the AQA guidance) are a matter for the body and the auditor. Auditors should:

- not include the work in Annual Audit Plans
- bill fees directly to the body
- report the fee income earned in the final fee claim progress report (so AQA can monitor the total fee value of non-audit services).

5B Assurance statements

Whole of Government Accounts

102. Auditors are required to provide assurance on Whole of Government Accounts (WGA) returns prepared by local government bodies, non-departmental public bodies (NDPBs) and the Scottish Government by:

- examining returns over a prescribed threshold
- completing (partially in the case of bodies below the threshold) and submitting an Assurance Statement to the National Audit Office (NAO)
- submitting the WGA return to HM Treasury and the NAO.

103. The Professional Support section within Innovation and Quality will publish a TGN which will set out the prescribed assurance threshold, the specified testing procedures which auditors are required to follow, and target submission dates. The assurance statement will accompany the TGN. The timescale for publishing the TGN is dependent on the timely receipt of Group Audit Instructions from the NAO. However, the WGA process has been running progressively later over the last few years to such an extent that the 2022/23 process has not yet commenced. It is possible that both the 2022/23 and 2023/24 returns will require to be certified during the 2023/24 audit year and auditors should be prepared for that possibility. The TGN, after due consultation with audit providers, will provide further guidance on how this should be managed.

Consolidation schedules

104. Auditors are required to provide assurance in 2023/24 on consolidation schedules completed by health boards to facilitate the preparation of the health information included in the Scottish Government Consolidated Accounts.

105. Auditors are required to complete an assurance statement for each board stating whether the completed templates are consistent with the audited annual report and accounts. Guidance, including model wording for the assurance statement, will be provided in a TGN planned for March 2024.

5C Report on summary financial information

106. In some cases, an audited body may be required by its sponsoring body to produce a separate annual report that includes summary financial statements. In other cases, a body may choose to do so. In either event, auditors are required to express an opinion on the consistency with the audited financial statements.

107. Guidance on the testing and reporting procedures to be carried out, including a model report, will be provided in a TGN planned for March 2024.

Contact points

The main contacts for other audit outputs are set out in the following table:

Area	Contact	Contact details
Annual audit returns	Innovation and Quality	TechnicalQueries@audit-scotland.gov.uk
Non-audit returns	John Gilchrist in AQA	jgilchrist@audit-scotland.gov.uk

6: Information returns required by Audit Scotland

Paragraph 104 of the Code of Audit Practice requires appointed auditors to complete information returns as a core annual audit activity. The information returns required for 2023/24 are summarised in the following paragraphs.

6A Contributions to performance audit work

109. Paragraphs 88 to 92 of the Code of Audit Practice set out the performance audit work carried out by PABV.

110. Paragraph 89 of the Code requires auditors to contribute to performance audit work by providing information on risks and other data from their audits. This involves auditors contributing information on:

- Sectoral annual (overview) reports
- Performance audit reports
- Impact reports.

Sectoral annual (overview) reports

111. PABV staff are responsible for preparing sectoral annual overview reports for the health and local government sectors. The reports use information from the audited accounts and Annual Audit Reports and therefore much of the required information is generally already available from core annual audit activity. However, auditors will be requested to provide supplementary information in a dataset.

112. The specification of the dataset will be developed by PABV in consultation with auditors and will be available in good time to allow completion. Auditors should:

- complete the dataset taking due care and attention
- agree factual information with the audited body
- submitting the completed dataset to Audit Scotland in accordance with paragraph 8.

Performance audit reports and impact reports

113. Auditors have a key role to play in helping to deliver the [work programme](#) for performance audits carried out by PABV. Auditors may be asked to contribute information to particular performance audits where they are considered best placed to do so.

114. The programme adapts as new issues emerge or risks change and therefore it is not practicable to set out at this stage the specific work, if any, that auditors may be requested to carry out. However, at the time of publishing this guidance, it is not anticipated that any such requests will be necessary for 2023/24 audits.

6B Current Issues Returns (local government)

Introduction

115. Timely communication by auditors of intelligence is important in helping Audit Scotland to maintain a good level of awareness across the local government sector and to keep the Controller of Audit and Accounts Commission informed.

116. Auditors of local government bodies are required to submit quarterly Current Issues Returns to Audit Scotland.

117. Auditors in other sectors are also required to keep Audit Scotland apprised of noteworthy issues but a formal return is not required. Arrangements for these other sectors are covered at section 7B.

Scope and use of returns

118. Current Issues Returns should:

- focus on the more significant emerging audit issues but should also include key developments for information (e.g. changes in leadership, media headlines)
- to inform discussions on themes at Local Government Sector meetings
- cover wider-scope responsibilities, including the arrangements for Best Value, and should not be limited to matters associated with the annual accounts.

119. Current Issues Returns are used:

- to prepare reports for the Accounts Commission's Financial Audit and Assurance Committee (FAAC) to assist it consider strategic risks arising from the annual audit
- by the Commission to inform its forward work programme.

120. Auditors are encouraged to use the reports considered by the FAAC in building a perspective of the prevalence of risks across the local government sector.

Completion of returns

121. Auditors will be provided with a template Current Issues Return for completion. The template will include any additional guidance (if appropriate) for that quarter's return:

- ASG auditors will be notified by email that a template is available on SharePoint for completion
- firms will receive a template by email for completion.

122. It is anticipated that the returns will be completed based on auditors' knowledge obtained from the audit. On occasion, auditors may be requested to provide specific information on an issue so that the FAAC can be provided with the emerging picture across local government.

123. Early reporting is recommended even if auditors have not undertaken any work at the point of highlighting a particular issue. Auditors should give an indication of the potential scale of the matter and the likely audit work to be undertaken in reaching a conclusion.

Auditor response

124. Auditors should set out their intended audit responses in the Current Issues Return. This demonstrates that planned work is scheduled in response to the potential risk identified and provides assurance to the FAAC that the matter is being appropriately addressed as part of the annual audit.

Categorisation of issues

125. In order to demonstrate a connection between an emerging audit issue and risk, the template return categorises issues in line with the strategic risks affecting the public sector. They are:

- ineffective leadership and governance including a shortfall in skills and capacity
- failures in economic recovery and growth including the effect of withdrawal from the European Union and rising inflation costs
- challenging financial position and growing concern about financial sustainability
- rising inequalities and weakened human rights
- failure to deliver innovation and performance including reduced digital governance and cyber resilience
- impact of constitutional and legislative change.

Illustrative examples

126. The following table provides some illustrative examples of reportable issues:

Category	Illustrative reportable issue	Auditor response
Failure to deliver innovation and performance	The council's change programme resulted in an increased number of staff taking exit packages. Exit costs amounted to £3.5m in respect of 136 staff. The council's voluntary severance scheme has a payback period which is longer than most other councils and therefore potential savings will not be immediately apparent.	A detailed review of severance arrangements including the impact on service delivery will be undertaken as part of the audit and reported through the Annual Audit Report.
Challenging financial position	Progress with service redesign savings has been mixed, with only £0.8m achieved against a target of £2m. The auditor had previously reported that savings targets were optimistic. The council is undertaking a review to determine more achievable targets and any likely impact on reserves.	Wider-scope review of the financial position including consideration of budget monitoring reports, financial assumptions used and regular engagement with the Head of Finance.
Ineffective leadership and governance	Following the appointment of a new Chief Executive in 2019, the council restructured its leadership team to include seven executive directors. Since then, posts have either been held on an interim basis or those recruited have subsequently left. Recruitment is currently ongoing for a deputy chief executive and a director for community.	Wider-scope consideration of the impact of such unsettled leadership on the council's improvement plans. Regular engagement with the Chief Executive and Leader of the council. Potential coverage in the Annual Audit Report.

Submission dates

127. Auditors must submit completed Current Issues Returns in accordance with paragraph 8 (or confirm a nil return if there is nothing new to report) for each body by the dates set out in the following table:

Return 1	Return 2	Return 3	Return 4
13 January 2024	24 March 2024	11 July 2024	10 October 2024

128. Any issues included in the Annual Audit Report do not have to be repeated in Return 4, though any updates on those issues should be provided.

129. The above dates align with the meeting dates of Local Government Sector Auditors and the FAAC and therefore it is important that they are met so that the information can be provided to these meetings in a timely fashion. Auditors are therefore encouraged to ensure that the timing of engagement meetings with audited bodies pay due regard to the specified submission dates. In addition, auditors should raise any significant issue that emerges outwith the quarterly reporting period to enable the issues discussed to be as current as possible.

Updates

130. Following FAAC meetings, relevant auditors will be advised of issues on which the committee expressed a wish to be updated. Relevant auditors should ensure that updates are provided in subsequent submissions until matters have been appropriately concluded by bodies.

6C Fraud Returns

131. Fraud Returns should be prepared and submitted by auditors in all sectors in accordance with [guidelines](#) provided by Innovation and Quality and on the [returns](#) themselves. Auditors should ensure arrangements are in place to be notified of all frauds at audited bodies:

- involving the misappropriation or theft of assets or cash which are facilitated by weaknesses in internal control
- over £5,000.

132. Innovation and Quality will then disseminate the information on cases to other auditors and audited bodies by including them in the quarterly Technical Bulletins. In order to allow inclusion in the earliest possible Technical Bulletin, auditors should submit completed Fraud Returns to Audit Scotland in accordance with paragraph 8 by the following dates:

Quarter 1	Quarter 2	Quarter 3	Quarter 4
30 November 2023	28 February 2024	31 May 2024	31 August 2023

133. In addition to inclusion in the Technical Bulletin, the fraud cases reported during 2023/24 will also be published in Audit Scotland's annual report on fraud and irregularity. This report will be published on the [counter-fraud hub](#) of Audit Scotland's website.

6D National Fraud Initiative

134. The National Fraud Initiative (NFI) in Scotland is a biennial counter-fraud exercise led by Audit Scotland, and overseen by the Public Sector Fraud Authority for the UK as a whole. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems that might suggest the existence of fraud or error.

135. The delivery model for NFI in Scotland has always involved appointed auditors who have reported on participation and outcomes. Auditors have an important role to play in the success of the 2022/23 NFI exercise. In order to assist auditors with their reporting responsibilities, central Audit Scotland arrangements have recently been revised to provide auditors with enhanced support.

136. The following bodies are participating in the 2022/23 NFI exercise:

- all councils, Strathclyde Partnership for Transport, and Tayside Contracts
- central government bodies specified in this [list](#)
- all health boards
- all incorporated colleges.

137. Participating bodies received matches for investigation in spring 2023. Most matches should have been investigated by 30 September 2023 and the results recorded on the NFI system.

138. However, some investigations may continue beyond this date. Where that is the case, with the support of the NFI manager, auditors should monitor their audited bodies' participation and progress during 2023/24 and, where appropriate, include references to NFI in their Annual Audit Reports.

139. In addition, auditors should complete a brief information return for each body participating in the NFI. Auditors will be provided with the return by 31 December 2023 and should complete and submit it in accordance with paragraph 8 by **28 February 2024**. The information provided is a key source of evidence for Audit Scotland's next NFI report, due to be published in summer 2024.

6E Contributing to TGNs

140. Professional Support section within Innovation and Quality will consult auditors to obtain their views on TGNs before they are published. It is important that auditors take this opportunity to offer their views on the guidance so that it represents an agreed position.

141. Auditors are expected to contribute effectively to the consultation process based on their practical experience of delivering audits of public bodies. Consultation Response Sheets should be completed by the date specified for each consultation.

Contact points

The main contacts for information returns are set out in the following table:

Area	Contact	Contact details
NHS in Scotland overview report	Leigh Johnston in PABV	ljohnston@audit-scotland.gov.uk
Local government overview report	Carol Calder in PABV	ccalder@audit-scotland.gov.uk
Current Issues Returns (local government)	Anne MacDonald in ASG	amacdonald@audit-scotland.gov.uk

Area	Contact	Contact details
Fraud returns	Anne Cairns in Innovation and Quality	acairns@audit-scotland.gov.uk
National Fraud Initiative	Tim Bridle in PABV	tbridle@audit-scotland.gov.uk
Contribution to TGNs	Innovation and Quality	TechnicalQueries@audit-scotland.gov.uk

7: Other core responsibilities or activities

Core annual audit activity undertaken by appointed auditors and their teams also includes the responsibilities and activities set out in this chapter.

7A Statutory reports

142. Appointed auditors are responsible for identifying and highlighting any significant issues arising which might prompt the Auditor General or Controller of Audit to consider preparing a statutory report under section 22 of the PFA Act for the Scottish Parliament's Public Audit Committee or section 102 of the 1973 Act for the Accounts Commission.

143. Guidance from the Professional Support section within Innovation and Quality assists auditors to prepare statutory reports. In summary, the issues that auditors are expected to highlight include those related to:

- public interest or concern around governance, financial management or sustainability
- the management of major projects or programmes, including any concerns around value for money, service performance, or delivery of outcomes.

144. Reports of this type can also be used to provide an update on previously reported matters. They may arise directly from the annual audit process or may be identified during ongoing engagement with the audited body.

145. Auditors should communicate to Audit Scotland's sector contacts throughout the year all issues with the reasonable potential to result in a statutory report so that the Auditor General or Controller of Audit has early notice of the issues and is in a position to make a decision in good time. The contacts for each sector are listed at the end of this chapter.

146. For the avoidance of doubt, the final decision on whether a report is required rests solely with the Auditor General or Controller. Where the Auditor General or Controller decides that a statutory report is appropriate, the sector contact will agree the extent of the auditor's contribution. Core annual audit activity will generally include contributing to drafting the report and providing briefings at meetings of the Public Audit Committee or the Accounts Commission.

147. Auditors should refer to chapter 8 for fee arrangements where work related to statutory reports goes beyond the scope of the core annual audit activity.

7B Communicating emerging issues (other than local government)

148. Auditors are required to advise Audit Scotland of any emerging issues and risks in audited bodies. This is important in helping Audit Scotland maintain awareness across the public sector and keep the Auditor General informed.

149. Auditors are required to keep sector contacts (listed at the end of this chapter) up to date with noteworthy issues on an ongoing basis. In sectors other than local government, there is no requirement for formal returns to Audit Scotland or any set timetable.

150. While judgement should be exercised when selecting which issues to highlight, auditors are encouraged to liaise directly with the relevant sector contact to discuss whether a potential issue is of sufficient strategic interest to be reported.

7C Contribution to sector meeting discussions

151. Appointed auditors are expected to attend and contribute to meetings hosted by Audit Scotland during the year. These take the form of one all-sector Annual Audit Planning Conference, several sector-specific meetings for all auditors with audit appointments in a sector, and partnership meetings with firms.

152. Attendance at these meetings is important as they provide an opportunity for auditors to discuss emerging issues and agree a consistent response.

7D Correspondence and issues of concern

153. Audit Scotland shares all correspondence it receives from the public on an audited body with the relevant appointed auditor to ensure they are aware of the issues of concern that have been raised. The Correspondence Team, in conjunction with the relevant auditors, decides what action to take and aims to provide a response within 30 days.

154. Auditors may be required to carry out preliminary enquiries as part of core annual audit activity so that the Correspondence Team can provide an appropriate response.

155. Where a case requires involvement additional to that which is expected within core annual audit activity, the Correspondence Team will agree with the relevant auditor the work required. The scope, number of days, and resources required for the involvement must be agreed with the Correspondence Team in advance of work commencing.

156. Any fee agreed for work in addition to core annual audit activity should be in accordance with chapter 8.

157. More information about how Audit Scotland handles correspondence can be found on the [Issues of concern](#) page on the Audit Scotland website.

7E Statutory objections

158. [Statutory objections](#) refer to the right of an interested person under section 101 of the 1973 Act to object to the unaudited annual accounts of a local government body.

159. Auditors should consider and report on any objections received in accordance with a TGN that is scheduled to be published in April 2024.

160. The consideration of objections is part of core annual audit activity. However, as it is not possible to anticipate how many (if any) are likely to be received in any year, there is no allowance for this work included in the construction of expected fees. Auditors should refer to AQA guidance on additional audit work for information in this regard.

7F Anti-money laundering

161. Appointed auditors should ensure arrangements are in place to be informed of any suspected instances of money laundering at audited bodies. [Guidelines](#) have been provided by Innovation and Quality. Any such instances should be advised to Innovation and Quality immediately who will then discuss the matter with the relevant auditor, establish whether it is reportable, obtain sufficient details, and report to the National Crime Agency on behalf of the Auditor General or Accounts Commission.

7G Housing benefit performance audits

162. Audit Scotland carries out a programme of housing benefit performance audit work on behalf of the Accounts Commission. The Housing Benefit team conducts a quarterly risk assessment of council's performance and carries out performance audit activity, where appropriate. Relevant auditors will be advised in due course.

163. Housing benefit thematic studies may also be planned. However, it is not expected that auditors will be involved in this work.

7H Shared Risk Assessment and Joint Scrutiny Planning

164. The Shared Risk Assessment (SRA) process is the vehicle for scrutiny bodies to share intelligence and agree scrutiny risks at councils. [Guidance](#) on the SRA has been provided by Audit Scotland but in summary each council has nominated contacts in each scrutiny body partner with knowledge of individual councils and intelligence that could be helpful in audit risk assessment and planning.

165. Appointed auditors are required to:

- engage with contacts in other scrutiny bodies to collect information on performance and scrutiny risks to inform risks assessment discussions
- work with other scrutiny bodies to facilitate engagement with the council and between each member

- discuss planned scrutiny with the council
- advise the Scrutiny Co-ordination Group of any planned scrutiny activity.

166. More information is available from the [Scrutiny improvement](#) page on the Audit Scotland website.

7I Sharing intelligence for health and social care

167. The arrangements for auditors to share intelligence on risks in the health and social care system have changed. The Sharing Intelligence for Health and Care Group (SIHCG) has been replaced by the Sharing Health and Care Intelligence Network (SHCIN).

168. The SHCIN comprises the seven SIHCG partner organisations and the nine health and social care professional regulatory bodies in Scotland allowing them to come together and share intelligence, analysis and collective discussion to generate actionable intelligence on emerging concerns regarding safety and quality of care.

169. The SHCIN will take a more risk based approach and focus on highlighting and assessing emerging concerns at an early stage from anywhere in the health and care system. When any of the agencies has a potentially serious concern about the health and social care system, the network ensures this is shared and acted upon appropriately.

170. Auditors are expected to play an important role in the SHCIN. However, there is no longer a requirement to complete an intelligence sharing template. Auditors are:

- required to respond to requests for information about any emerging issues or concerns in the NHS board or IJB they audit
- recommended to attend the network meeting when the board or IJB is due to be considered as it provides the opportunity to hear intelligence from the other agencies. A board or IJB will only be considered if there are emerging concerns.

171. The meetings are scheduled to take place every two months. Audit Scotland will contact auditors about three weeks before the network meeting to ask whether there are any emerging issues or concerns they wish to share with the network. There is generally two weeks to respond. Audit Scotland will also advise auditors when their board or IJB is due to be considered at a network meeting, and auditors should confirm whether they will attend.

7J Section 106 charities

172. The audit appointment of council auditors includes the audit of any trust funds falling within section 106 of the 1973 Act that are registered as charities with the Office of the Scottish Charity Regulator (section 106 charities).

173. The audit of section 106 charities is part of core annual audit activity. However, as it is difficult to anticipate how many are to be audited in any year, there is no allowance for this work included in the construction of expected fees. Auditors should refer to AQA guidance on additional audit work for information in this regard.

174. Some councils continue to administer a significant number of section 106 charities. Professional Support will provide information on numbers in December 2023. In order to reduce the number of statements of account that require to be audited, auditors should strongly encourage those councils to:

- reorganise their charities through merging or winding them up, particularly when they appear to be failing to meet their charitable aims (e.g. by not disbursing funds)
- make full use of the connected charities provisions under Regulation 7 of Charities Regulations.

175. Councils may request that auditors carry out audits for charities where section 106 does not apply. Where an audit provider accepts such a request, they should treat this as non-audit services (explained in the AQA guidance).

Contact points

The main contacts for other core responsibilities discussed in this chapter are set out in the following table:

Area	Contact	Contact details
Statutory reports – local government	Anne MacDonald in ASG	amacdonald@audit-scotland.gov.uk
Statutory reports and communicating current issues – central government	Carole Grant in ASG	cgrant@audit-scotland.gov.uk
Statutory reports and communicating current issues – health	Leigh Johnston in PABV	ljohnston@audit-scotland.gov.uk
Statutory reports and communicating current issues – colleges	Tricia Meldrum in PABV	tmeldrum@audit-scotland.gov.uk
Correspondence and issues of concern	Correspondence team	correspondence@audit-scotland.gov.uk
Statutory objections, anti-money laundering, and section 106 charities	Professional Support	TechnicalQueries@audit-scotland.gov.uk

Area	Contact	Contact details
Housing benefit performance audits	Michael Oliphant in ASG	moliphant@audit-scotland.gov.uk
Shared Risk Assessment and Joint Scrutiny Planning	Carol Calder in PABV (chair of Scrutiny Co-ordination Group)	ccalder@audit-scotland.gov.uk
Intelligence in health and social care	Leigh Johnston	ljohnston@audit-scotland.gov.uk

8: Additional audit activity

Additional audit activity refers to any specific work commissioned from auditors by the Auditor General or Accounts Commission outwith core annual audit activity. This is most likely to relate to elements of:

- the production of statutory reports (section 7A)
- following up an issue of concern raised with the Communications team (Section 7D).

Audit fees

176. Additional audit activity should be funded by increasing the agreed fee where possible. If the work cannot be accommodated within the agreed fee, it will involve additional audit fees.

177. When commissioning additional audit activity, Audit Scotland will indicate whether the additional fee is to be separately agreed with the audited body or to be invoiced to PABV.

Grade-related rates

178. Additional audit activity should be charged at the rates in Schedule 2 of the Framework Agreement. These rates are inclusive of VAT.

Contact point

The main contact point for additional audit activity is Owen Smith in AQA – osmith@audit-scotland.gov.uk.

9: Audit completion

Appointed auditors must submit to Audit Scotland the Annual Audit Report and all other outputs from the audit.

Annual Audit Report

179. The content of the Annual Audit Report has been discussed throughout this guidance. In summary, each Annual Audit Report for 2023/24 should reflect:

- key audit matters as defined in ISA (UK) 701
- clear conclusions based on the work carried out on the effectiveness and appropriateness of the arrangements in place for each wider-scope area
- for Best Value work in councils only:
 - judgements on the pace and depth of improvements reported in previous years
 - findings, judgements and improvement actions arising from any work carried out on themes in the statutory guidance
 - a summary of the information each council reports publicly on its service performance
 - effectiveness of council processes for reporting and scrutiny of performance against its priorities
 - a conclusion on whether the council can demonstrate a trend of improvement over time in delivering its priorities
 - a conclusion on the effectiveness and appropriateness of the arrangements a council has in place for complying with the Commission's direction
 - a summary of the findings and conclusions from the thematic review of workforce innovation
- recommendations for areas of improvement to address any significant risks.

180. A separate Annual Audit Report is not required for section 106 charities.

Target submission dates

181. The Annual Audit Report should be submitted to Audit Scotland (on behalf of the Auditor General and Controller of Audit) in accordance with paragraph 8. The target submission dates (which are the same as for the audited annual accounts) are set out in the following table:

Sector	Submission dates
Health	30 June 2024
Central government - agencies and NMDs	31 August 2024
Local government	30 September 2024
Central government - NDPBs and similar bodies	31 October 2024
College	31 December 2024

Submission of management/interim reports

182. Auditors should submit any management/interim reports to AQA as soon as the final version has been considered by relevant committees in audited bodies.

Completion of audit

183. AQA will deem that the 2023/24 audit is complete on the date that auditors submit to Audit Scotland:

- the Annual Audit Report
- the audited annual accounts
- any management/interim reports.

184. Auditors should contact AQA if they are unable to meet the target submission dates to:

- explain the reason for the delay. If the delay was caused by the audited body, auditors should explain that they have taken all practicable steps to encourage bodies to respond to draft reports and provide comments for action plans. Auditors may wish to include a reference in their Annual Audit Reports if bodies are consistently late in responding to draft reports
- provide the expected date by which the report will be submitted.

185. The following audit outputs will be published on Audit Scotland's [website](#) for each audited body:

- Annual Audit Plan

- management/interim reports
- Annual Audit Report
- Any other reports that are specified in the Annual Audit Plan (or have been completed as a result of an issue or risk identified after the plan has been agreed), except the Independent Auditor's Report, certificates on claims and returns or any assurance statements.

186. All outputs published on the Audit Scotland website should comply with [The Public Sector Bodies \(Websites and Mobile Applications\) \(No. 2\) Accessibility Regulations 2018](#). These regulations require public sector bodies to ensure their websites and mobile applications meet accessibility requirements. Auditors should refer to guidance on accessibility provided by Audit Scotland's Communications Team.

Sensitive or contentious reports

187. Auditors should contact media@audit-scotland.gov.uk to promptly advise of any reports of a sensitive nature or that are expected to be contentious. For example, this could include:

- reports on bodies that have been the subject of significant political or media attention
- reports on subjects such as weak governance, poor financial management, financial difficulties, or major projects and contracts
- modified opinions on the annual accounts.

Contact point

The main contact for audit completion is Owen Smith in AQA - osmith@audit-scotland.gov.uk.

Guidance on Planning the Annual Audit

2023/24 annual audits of public bodies

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

www.audit-scotland.gov.uk/accessibility

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