

# Guidance on planning the annual audit

2026/27 annual audits of public bodies



 AUDIT SCOTLAND

Prepared by Audit Scotland  
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# Introduction

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## Purpose of guidance

1. The purpose of this guidance from Audit Scotland is to assist auditors appointed by the [Auditor General for Scotland](#) (the Auditor General) and the [Accounts Commission for Scotland](#) (the Commission) to plan their 2026/27 annual audits of public bodies, funds and accounts (referred to collectively as audited bodies).
2. This guidance sets out the range of core annual audit activity and related outputs required for 2026/27, and the timescales for completing the annual audits in each sector.

## Status of guidance

3. In accordance with Appendix 6 of the [2021 Code of Audit Practice](#), appointed auditors and their audit teams are required to comply with this guidance when planning, performing and reporting their 2026/27 annual audits.

## Summary of audit responsibilities

4. Appointed auditors are responsible for auditing and expressing opinions on the annual accounts prepared by audited bodies. However, the annual audit has a wider scope than opinions on the accounts and includes conclusions on four specified wider scope reporting areas.
5. In local government, the annual audit also includes conclusions on the arrangements audited bodies have in place to secure Best Value and to publish performance information.
6. In addition to assurance, auditors also provide important intelligence to the Auditor General, the Commission, the Controller of Audit, and Audit Scotland in subject areas where they are best placed to do so.
7. The following table summarises:
  - the responsibilities related to the annual audit that are reflected in the expected fee set by Audit Scotland
  - the outputs associated with each audit responsibility (with those produced by auditors distinct from those for which their work contributes)
  - the chapter in this guidance which covers each responsibility.

| Audit responsibility                                                                                 | Output (auditor-produced)                                                                                                    | Output (auditor contributes)           | Chapter  |
|------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|----------|
| Perform an audit of the annual accounts and express specified audit opinions                         | Annual Audit Plan<br>Any Management/Interim report(s)<br>Independent Auditor's Report<br>Annual Audit Report                 |                                        | 2        |
| Consider and express conclusions on specified wider scope areas                                      | Annual Audit Plan<br>Annual Audit Report                                                                                     |                                        | 3        |
| Consider and express a conclusion on arrangements to secure Best Value in local government           | Annual Audit Plan<br>Management report<br>Annual Audit Report                                                                | Controller of Audit report             | 4        |
| Consider and express a conclusion on arrangements to secure Best Value in central government and NHS | Annual Audit Plan<br>Annual Audit Report                                                                                     |                                        | 5        |
| Perform an audit of approved claims and returns and report on them                                   | Annual Audit Plan<br>Auditor certificate on housing benefit subsidy claim<br>Auditor certificate on non-domestic rate return | Non-Domestic Rates Account             | 6A       |
| Provide assurance on specified returns                                                               | Annual Audit Plan<br>Assurance Statement on summary financial statements                                                     | A public body's separate Annual Report | 6B<br>6C |
| Contribute information to sector annual reports                                                      | Information returns                                                                                                          | Sector annual reports                  | 7A       |
| Prepare and submit Current Issues Returns for local government                                       | Three Current Issues Returns                                                                                                 | Controller reports to the Commission   | 7B       |
| Provide information on cases of fraud                                                                | Fraud Return on each case                                                                                                    | Technical Bulletins                    | 7C       |

| Audit responsibility                                         | Output (auditor-produced)                                     | Output (auditor contributes)    | Chapter |
|--------------------------------------------------------------|---------------------------------------------------------------|---------------------------------|---------|
| Contribute to Technical Guidance Notes                       | Consultation response sheet on draft Technical Guidance Notes | Technical Guidance Notes        | 7D      |
| Highlight issues for potential statutory reports             |                                                               | Statutory reports               | 8A      |
| Communicate emerging issues to Audit Scotland                |                                                               |                                 | 8B      |
| Contribute to sector meetings                                |                                                               |                                 | 8C      |
| Carry out preliminary enquiries into referred correspondence |                                                               | Response to correspondents      | 8D      |
| Consider statutory objections to the annual accounts         | Response to objection                                         |                                 | 8E      |
| Contribute to National Fraud Initiative (NFI) report         | Annual Audit Report                                           |                                 | 8F      |
| Provide information on cases of money laundering             |                                                               | Report to National Crime Agency | 8G      |
| Contribute to the Shared Risk Assessment                     |                                                               |                                 | 8H      |
| Share intelligence on health and social care                 |                                                               |                                 | 8I      |

**8.** The Annual Audit Report is a key output. The Code of Audit Practice requires auditors to produce an Annual Audit Report covering 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.

**9.** The content of Annual Audit Reports is discussed throughout this guidance and summarised in chapter 10, which also sets out submission dates.

## Submission of outputs

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

| Auditor | Submission                                                                                                                                                                  |
|---------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ASG     | Store in the appropriate audited body's Financial Audit - Outputs library on SharePoint and email a hyperlink to <a href="mailto:outputs@audit.scot">outputs@audit.scot</a> |
| Firms   | Email to <a href="mailto:outputs@audit.scot">outputs@audit.scot</a>                                                                                                         |

## Expected and agreed audit fees

**11.** Audit Scotland's Audit Quality and Appointments (AQA) team construct an expected audit fee for each audited body, which assumes that the body has an average risk profile. The expected fee is made up of four elements: auditor remuneration; pooled costs such as travel and expenses; audit support costs; and, for local government, a contribution to cover performance audit costs.

**12.** Auditors may agree a fee with the audited body that is higher than the expected fee where they assess that additional work is required because the body has a greater risk profile than that assumed by AQA. The higher fee is subject to an upper limit that varies depending on whether the expected fee is above or below a threshold set annually by AQA:

- Where the expected fee is *above* the threshold, the upper limit is the expected fee plus 10% of the auditor remuneration element of the expected fee.
- Where the expected fee is *below* the threshold, the upper limit is the expected fee plus 20% of the auditor remuneration element of the expected fee.

**13.** The threshold for 2026/27 has been set at £40,000.

**14.** Guidance on determining audit fees and agreeing them with audited bodies, as well information on the construction of expected fees, is included in separate [guidance](#).

## Key changes for 2026/27

**15.** The following table provides a summary of the key changes in this guidance, and the relevant chapter that explains it:

| Nature of change                                                                         | Paragraphs |
|------------------------------------------------------------------------------------------|------------|
| Increase in the threshold for agreeing an audit fee that is higher than the expected fee | 11-13      |

| Nature of change                                                                                                         | Paragraphs |
|--------------------------------------------------------------------------------------------------------------------------|------------|
| Enhanced guidance on reporting materiality figures in the Annual Audit Plan and any revisions in the Annual Audit Report | 40-41      |
| Enhanced guidance on reporting conclusions on wider scope areas, making recommendations and sharing good practice        | 57         |
| Updated Best Value thematic review subject area for councils                                                             | 77         |
| Updated councils for Controller of Audit Best Value reports                                                              | 85         |
| Enhanced guidance on auditors' responsibilities for Best Value in central government and NHS                             | Chapter 5  |
| Notification of removal of requirement to provide assurance on WGA returns                                               | 103        |
| Notification of removal of requirement to provide assurance on consolidation schedules completed by health boards        | 105        |

## Contact points

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

| Area                     | Contact                | Contact details                                                              |
|--------------------------|------------------------|------------------------------------------------------------------------------|
| Fee for the audit        | AQA                    | <a href="mailto:quality@audit.scot">quality@audit.scot</a>                   |
| Remainder of the chapter | Innovation and Quality | <a href="mailto:TechnicalQueries@audit.scot">TechnicalQueries@audit.scot</a> |

# 1: Annual Audit Plans for 2026/27

Appointed auditors are required to prepare an Annual Audit Plan that documents how they intend to meet their responsibilities for the delivery of 2026/27 annual audits in accordance with this guidance.

## Components of the Annual Audit Plan

**16.** Annual Audit Plans for 2026/27 should include the components set out in the following table:

| Required component                | Explanation                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Name of appointment lead          | <p>The appointment lead is the public sector equivalent of engagement partner and is:</p> <ul style="list-style-type: none"> <li>the individual in Audit Scotland appointed as auditor</li> <li>the partner or other individual in the firm who is responsible for delivery of the audit on behalf of the firm.</li> </ul>                                                                                                                                             |
| Planned work                      | <p>This should set out the work planned to meet the auditor's responsibilities for the annual audit in accordance with this guidance.</p> <p>For local authorities, this should reflect discussions with the Local Area Network (explained at section 8H), where possible.</p>                                                                                                                                                                                         |
| Work to address significant risks | <p>The audit work planned during 2026/27 to address identified significant risks of:</p> <ul style="list-style-type: none"> <li>material misstatement in the annual accounts</li> <li>weaknesses in the arrangements in place for the four wider scope reporting areas.</li> </ul>                                                                                                                                                                                     |
| Outputs                           | <p>A complete list of outputs for 2026/27 planned to be produced by auditors that will be submitted to the audited body.</p> <p>Planned submission dates should also be provided. This should be when auditors expect to submit the final version of the output, including an agreed action plan where applicable.</p> <p>Information returns submitted to Audit Scotland-only are not considered to be outputs and therefore should not be included in this list.</p> |
| Responsibilities                  | The respective responsibilities of the audited body and auditor.                                                                                                                                                                                                                                                                                                                                                                                                       |

| Required component       | Explanation                                                                                                                                                                                   |
|--------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Independence             | Confirmation of the independence of the auditor.                                                                                                                                              |
| Materiality              | Information on materiality should be provided in accordance with chapter 2 of this guidance.                                                                                                  |
| 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 either confirm that the audit fee equals the expected fee or state that a higher fee has been agreed with the audited body and provide an explanation where that is the case. |

## Submission and presentation of Annual Audit Plan

**17.** Auditors should present and submit the Annual Audit Plan in accordance with the following table:

| Parties                                                      | Date                                                              |
|--------------------------------------------------------------|-------------------------------------------------------------------|
| Present to those charged with governance in the audited body | 31 March 2027<br>30 June 2027 (for colleges)                      |
| Submit to Audit Scotland in accordance with paragraph 10     | As soon as it has been presented to those charged with governance |

**18.** If the 2026/27 Annual Audit Plan has not been presented to those charged with governance by the relevant date, auditors should where possible:

- submit the Annual Audit Plan in draft (clearly marked as such) to Audit Scotland by 31 March (30 June for colleges). The plan should be clearly marked as draft
- indicate when the final version of the Annual Audit Plan will be presented to those charged with governance
- submit the final version of the Annual Audit Plan to Audit Scotland as soon as it has been presented to those charged with governance.

**19.** AQA does not approve Annual Audit Plans but will contact auditors if more information is needed. For example, this may be the case if an explanation is not provided for any fees above the expected fee, or it is not clear whether the fee has been agreed with the audited body.

## Contact point

The main contact point for Annual Audit Plans is AQA - [quality@audit.scot](mailto:quality@audit.scot)

## 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.

### Receipt of unaudited annual accounts

**20.** 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 2027. Auditors should include a reference in the Annual Report if this statutory requirement is not met.                                                                                                |
| 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). |

### Support for auditors

**21.** As with previous years, Audit Scotland's Innovation and Quality team (I&Q) will provide a Technical Guidance Note (TGN) to support auditors in performing an audit of the 2026/27 annual accounts of public bodies.

**22.** Appointment leads and audit teams are encouraged to [consult with the Audit Scotland Helpdesk](#) on complex technical matters. Auditors are asked to:

- use the standard [Helpdesk Enquiry Form](#)
- use the [TechnicalQueries@audit.scot](mailto:TechnicalQueries@audit.scot) email address (as using another address may result in delays in responding)
- provide sufficient information and time to properly consider the matter

- form their own preliminary judgement on the matter; I&Q can then provide advice to inform auditors' final judgement.

**23.** Where any emerging technical risks may have wider application to other bodies, I&Q will then disseminate information to other auditors (e.g. a Frequently Asked Questions note) to promote a consistent approach.

## Shared systems and functions

**24.** The Auditor General and the 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 and reviews

**25.** Audit Scotland produces protocols to provide an agreed framework for auditors to seek and provide assurances between each other in specific areas. A central Audit Scotland team may also carry out a review where there is no obvious auditor to do so. The [assurance protocols and reviews](#) that will be produced for 2026/27 audits are set out in the following table:

| Protocol/Review                                                        | Subject                                                                                                                                                                                                                                                                                                                                                          | Scheduled publication |
|------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| Protocol - 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 2027          |
| Protocol - Integration Joint Boards (IJB)                              | Assurances sought by 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 2027         |
| Review - 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"> <li>• provide assurance on the methodology used in the calculation of the CNORIS national obligation at 31 March 2027</li> <li>• inform auditors' evaluation of the role of the CLO as a management expert.</li> </ul> | May 2027              |

## Service auditor and similar assurance reports on health boards

**26.** 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><b>Primary care payments</b></p> <p>This arrangement covers payments made by Public Services Delivery (PSD) Scotland to primary care practitioners on behalf of health boards.</p> <p>Payments are for general medical services, general dental services, general ophthalmic services and general pharmaceutical services.</p>                                 | <p>PSD Scotland produces an assurance report and procures a service auditor report from PWC which it provides to the health boards concerned (expected in May 2027).</p> |
| <p><b>National Single Instance (NSI) eFinancials</b></p> <p>NHS Ayrshire &amp; 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 2027.</p>                                                                                |
| <p><b>National IT Services Contract</b></p> <p>PSD Scotland use Atos IT Services Ltd to provide managed technical services, storage, application support and development used by the service organisation to process transactions for customers.</p> <p>Key applications include primary care payments, NSI eFinancials and payroll system for health boards.</p> | <p>PSD Scotland produces an assurance report and procures a service auditor report from PWC which it provides to the health boards concerned (expected in May 2027).</p> |

**27.** Other service auditor reports may be provided by boards to cover arrangements they have in place with other individual boards. For example, PSD Scotland issues a service report to cover the payroll services that they provide to other NHS boards.

**28.** Auditors of user bodies should consider the auditor assurance reports when evaluating health board systems. Auditors are advised to examine service auditor reports for 2026/27 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

**29.** 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 assessment of and response to risks of material misstatement.

**30.** These main systems include Cash and bank; Accounts payable; Accounts receivable; Payroll; and General ledger. 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.

**31.** The Scottish Government general ledger system (Scottish Executive Accounting System) was replaced by Oracle Cloud in October 2024. The Scottish Government have commissioned the following reviews covering 2026/27:

- An ISAE 3402 (application controls) Type 2 review in respect of the Oracle Cloud application.
- A SOC (third-party hosting controls) Type 2 report in respect of data security and privacy controls within the externally hosted Oracle UK Sovereign Cloud data centres.

**32.** Both reports should be available in summer 2027. The Scottish Government auditor will engage with the ISAE 3402 (application controls) Type 2 review as part of the governance arrangements that are being established and will consider the impact of any emerging issues on their 2026/27 audit approach. The results of any testing will be shared with relevant auditors.

## Independent auditor's report

**33.** The Code of Audit Practice requires auditors to report on the annual accounts in an [Independent Auditor's Report](#). 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.

**34.** 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.

**35.** 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.

## Significant matters arising

**36.** Paragraph 77 of the Code of Audit Practice requires significant matters arising from the audit of the annual accounts to be reported in the Annual

Audit Report. This should equate to matters reported to those charged with governance at each body as required by ISAs.

## Key audit matters

**37.** [ISA \(UK\) 701](#) defines key audit matters as those selected from matters communicated to those charged with governance that required the most significant auditor attention in the audit of the financial statements.

## Independent Auditor's Report

**38.** ISA (UK) 701 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.

## Annual Audit Report

**39.** Paragraph 80 of the Code of Audit Practice requires key audit matters to be reported in the Annual Audit Report for all audited bodies. This also applies those bodies that report them in the Independent Auditor's Report. In summary, auditors should:

- determine the key audit matters, i.e. those matters in the Annual Audit Report that required the most significant auditor attention in the audit of the financial statements
- highlight 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 key and how it was addressed in the audit, including significant judgments made by the audit team with respect to the matter.

## Materiality

### Annual audit plans

**40.** Auditors should include in their Annual Audit Plans:

- a clear explanation of the concept of materiality.
- the materiality figures used (as a whole and performance materiality).
- an explanation of the significant judgments made in determining the materiality figures.
- the materiality figures if there is a lower materiality for particular transactions or balances or for the Remuneration Report, along with an explanation of why they are appropriate.
- the reporting thresholds for accumulating and reporting misstatements under [ISA \(UK\) 450](#).

## Annual audit reports

**41.** Auditors should include in their Annual Audit Reports:

- any revisions to materiality figures used (as a whole, performance materiality or for particular transactions or balances) compared with those included in the Annual Audit Plan, including an explanation of the significant judgments in determining the revised 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.

## Submission of audited annual accounts

### Target submission dates

**42.** 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 10.

**43.** Auditors should aim to submit the audited annual accounts by the target date set by the Auditor General and the Commission set out in the following table:

| Sector                                                                                                | Target dates             |
|-------------------------------------------------------------------------------------------------------|--------------------------|
| Health                                                                                                | <b>30 June 2027</b>      |
| Central government - agencies and non-ministerial departments (NMDs), except Social Security Scotland | <b>31 August 2027</b>    |
| Local government                                                                                      | <b>30 September 2027</b> |
| Central government – NDPBs and similar bodies, and Social Security Scotland                           | <b>31 October 2027</b>   |
| College                                                                                               | <b>31 December 2027</b>  |

**44.** Auditors and audited bodies have a joint responsibility to ensure that target dates are met. However, auditors should not compromise on audit quality.

## Signatures

**45.** 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                                                                           | <p>There is no need to separately submit an e-copy of the signed accounts.</p> <p>A paper copy of the accounts is not required.</p>                                                                                                                                                                                                                                                                                                                                                           |
| Alternative qualified electronic signatures system                                 | <p>Where auditors use an alternative qualified electronic signatures system, they should submit the signed audited annual accounts to Audit Scotland in accordance with paragraph 10.</p> <p>The accounts must be in an electronically searchable pdf format.</p> <p>A paper copy of the accounts is not required.</p>                                                                                                                                                                        |
| Qualified electronic signature not used, i.e. signatories use own actual signature | <p>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:</p> <p>John Gilchrist, Audit Scotland, 102 West Port, Edinburgh, EH3 9DN.</p> <p>Auditors should agree locally the number of paper copy signed sets of audited annual accounts required by the audited body.</p> |

## Laying accounts

**46.** 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 2027. 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                         | <p>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.</p>                                                                                                            |

## Publication of accounts

**47.** Local government bodies are required by the accounts regulations to publish their 2026/27 audited annual accounts on their website no later than the statutory date of 31 October 2027.

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

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

## Less Complex Bodies

**50.** Paragraph 84 of the Code of Audit Practice 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 2026/27, and therefore auditors should perform their audit of the accounts of Less Complex Bodies in accordance with ISAs (UK).

**51.** Guidance on the wider scope reporting areas for Less Complex Bodies is provided in chapter 3.

## 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               | Iain Lochhead | <a href="mailto:ilochhead@audit.scot">ilochhead@audit.scot</a>               |
| Submission and laying of audited annual accounts | AQA           | <a href="mailto:quality@audit.scot">quality@audit.scot</a>                   |
| DocuSign                                         | AQA           | <a href="mailto:quality@audit.scot">quality@audit.scot</a>                   |
| Remainder of chapter                             | I&Q           | <a href="mailto:TechnicalQueries@audit.scot">TechnicalQueries@audit.scot</a> |

# 3: Wider scope reporting areas

Appointed auditors are required to consider the wider scope reporting areas set out in the Code of Audit Practice when:

- identifying at the planning stage of the annual audit risks of significant weaknesses in the arrangements for each wider scope reporting area
- forming and reporting conclusions on those arrangements.

## Wider scope reporting areas

**52.** The Code of Audit Practice sets out (at paragraphs 62 to 70) four wider scope reporting areas. These are summarised in the following table.

| Wider Scope Area                     | Meaning                                                                                                                                                        |
|--------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Financial management                 | Financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively in the short term.           |
| Financial sustainability             | The audited body's plans to continue to deliver its services in the medium and longer term and the way in which they should be delivered.                      |
| Vision, leadership and governance    | The effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information. |
| Use of resources to improve outcomes | Economy, efficiency, and effectiveness using financial and other resources and reporting performance against outcomes.                                         |

## Risk assessment

**53.** Auditors should consider the arrangements in place for each of the four wider scope reporting areas and assess the risks of significant weaknesses in those arrangements.

**54.** Appendix 1 of AQA's supplementary guidance provides a series of prompt questions which auditors should consider when carrying out their risk assessment.

**55.** When auditors identify a likely risk of significant weakness in the arrangements, auditors should state in their Annual Audit Plans the procedures that they plan to carry out.

**56.** Auditors should design and perform procedures to respond to the assessed significant risks to support their conclusion on the arrangements. Determining the nature, timing and extent of the procedures is a matter of judgement, but it should be sufficient to allow auditors to make a judgment on whether a significant weakness exists.

## Reporting in the Annual Audit Report

**57.** Based on the procedures they have carried out, auditors should form conclusions on the arrangements and report them explicitly and clearly in the Annual Audit Report. Auditors should also make recommendations for audited bodies to address any significant weaknesses identified. Auditors may also identify good practice which they should consider sharing. Actions are explained further in the following table:

| Action                                                                                 | Guidance on the action                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|----------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Form and report conclusions                                                            | <p>Auditors should report an explicit conclusion on the arrangements in place for each of the four wider scope reporting areas.</p> <p>Auditor should not simply provide a general commentary on the arrangements in place.</p> <p>Where auditors judge that no significant weaknesses in the arrangements have been identified, it is appropriate for auditors to report an unmodified conclusion.</p> <p>Where auditors identify weaknesses in the arrangements for any of the wider scope reporting areas that they judge to be significant, it is appropriate for auditors to modify their conclusion on the relevant wider scope area accordingly.</p> |
| Explain how conclusion formed                                                          | <p>Auditors should explain their audit findings and the judgements that underpin their conclusions.</p> <p>In the case of a modified conclusion, auditors should describe the weaknesses and explain why they are considered to be significant.</p>                                                                                                                                                                                                                                                                                                                                                                                                         |
| Make recommendations to address significant weaknesses that led to modified conclusion | <p>Auditors should make recommendations to address any significant weaknesses in the arrangements.</p> <p>The recommendations should meet the SMART (specific, measurable, achievable, relevant and timebound) principles and be in accordance with guidance from Audit Scotland.</p>                                                                                                                                                                                                                                                                                                                                                                       |
| Share good practice identified as part of normal audit work                            | <p>Auditors are encouraged to include in their Annual Audit Report any good practice that they identify as part of their normal audit work. In considering what to share, auditors should bear in mind that good practice:</p>                                                                                                                                                                                                                                                                                                                                                                                                                              |

| Action | Guidance on the action                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|--------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|        | <ul style="list-style-type: none"> <li>• may include methods, procedures, or approaches used by audited bodies that auditors consider to be particularly effective, efficient, and beneficial</li> <li>• goes beyond basic requirements or standard procedures, and results in a higher level of quality, performance, or outcomes</li> <li>• is different to 'best practice' which represents the most effective or efficient approach among all known options.</li> </ul> <p>Auditors should ensure that sharing good practice does not impact their independence.</p> |

## Less Complex Bodies

**58.** Paragraphs 83 and 85 to 86 of the Code of Audit Practice set out a different approach to the wider scope reporting areas for any public bodies that are less complex owing to their size and limited financial activity (referred to as Less Complex Bodies).

**59.** AQA specifies in supplementary guidance that an audited 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 is a registered charity (except for section 106 charities)
- the body requests a full wider scope audit
- a statutory report was prepared in 2025/26 related to wider scope issues.

**60.** Where auditors judge that a public body meets the criteria to be classified as a Less Complex Body, auditors should explain in the 2026/27 Annual Audit Plan:

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

**61.** For a Less Complex Body, auditors are only required to report a conclusion on the financial sustainability wider scope reporting area.

**62.** If a body was assessed as meeting the Less Complex Body criteria at the planning stage but a change in circumstances during the year means the body no longer meets the criteria, auditors are required to form and report a conclusion on each of the four wider scope areas.

## Contact points

The main contact for wider scope areas in 2026/27 is I&Q - [TechnicalQueries@audit.scot](mailto:TechnicalQueries@audit.scot)

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# 4: Considering Best Value arrangements

## Local government bodies

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Local government bodies have a duty under the [Local Government in Scotland Act 2003](#) to make arrangements which secure Best Value. They are required to follow [statutory guidance](#) in respect of their Best Value duties.

Appointed auditors in local government have a statutory duty to be satisfied that bodies have made proper arrangements to secure Best Value.

**63.** There are the following five aspects to auditors' responsibilities for Best Value in councils:

- Following up previous improvement actions.
- Evaluation of the arrangements in place to secure Best Value.
- Assessing the arrangements for statutory performance information, and reporting a summary of the indicators reported by the local authority.
- Thematic reviews.
- Contributing to Controller of Audit reports.

### Follow-up

**64.** Auditors should follow up Commission findings, Controller of Audit recommendations and any outstanding improvement actions reported in previous years.

**65.** Auditors should:

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

### Evaluation of arrangements in place

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

The wider scope areas referred to in Section 3 of this guidance are aligned with the Best Value themes.

**67.** In order to reinforce the alignment, each wider scope area has been mapped to a related Best Value theme. The following table maps each wider scope area to the related Best Value theme. It demonstrates that consideration by appointed auditors of the wider scope areas also means de facto consideration of all the Best Value themes:

| Wider scope area                     | Related Best Value theme                                                                                                                                                                                                                                                                             |
|--------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Financial management                 | <ul style="list-style-type: none"> <li>• Effective use of resources (Financial management and planning sub theme)</li> <li>• Governance and accountability</li> </ul>                                                                                                                                |
| Financial sustainability             | <ul style="list-style-type: none"> <li>• Effective use of resources (Financial management and planning sub theme)</li> </ul>                                                                                                                                                                         |
| Vision, leadership and governance    | <ul style="list-style-type: none"> <li>• Vision and leadership</li> <li>• Governance and accountability</li> <li>• Partnerships and collaborative working</li> <li>• Working with communities</li> <li>• Sustainable development</li> <li>• Fairness and equality</li> </ul>                         |
| Use of resources to improve outcomes | <ul style="list-style-type: none"> <li>• Effective use of resources (excluding the Financial management and planning sub theme)</li> <li>• Partnerships and collaborative working</li> <li>• Working with communities</li> <li>• Sustainable development</li> <li>• Fairness and equality</li> </ul> |

**68.** Auditors should:

- consider, as an integral part of considering the wider scope areas, the related Best Value theme
- form a conclusion, based on the work carried out on the wider scope areas, on whether the council has proper arrangements in place to secure Best Value
- report the conclusion in the 2026/27 Annual Audit Report on whether the council has proper arrangements in place to secure Best Value.

## Statutory performance information

### Assessing arrangements

**69.** Auditors have a statutory duty to satisfy themselves that councils have made proper arrangements for preparing and publishing the statutory performance information in accordance with the Direction from the Accounts Commission.

**70.** The Commission issued a [Statutory Performance Information Direction](#) in 2024 which continues to apply in 2026/27. Complying with the Direction is fundamental to councils fulfilling their duty to secure Best Value.

**71.** The Direction expects indicators from the Local Government Benchmarking Framework (LGBF) be used as the primary means of facilitating comparisons. The LGBF is operated by the Improvement Service and is designed to help councils compare their performance against a suite of indicators:

- Councils should identify key indicators and set targets against which their performance in addressing their priorities and achieving their objectives can be measured, and report on their progress towards reaching those targets.
- Councils should be able to demonstrate how their priorities are driving decision-making about their use of resources and how those decisions are impacting on performance over time and relative to other councils.
- Where performance information shows that a council is not on track to achieve a particular target or objective, the council should explain the factors that have contributed to this, and what actions it is taking to respond and improve its performance in that area.

**72.** Audit Scotland [guidance](#) assists councils in understanding and meeting the requirements of the Direction. The guidance provides further information and explanation regarding aspects of the Direction, and a set of examples of good practice. In evaluating a council's arrangements in 2026/27, auditors should evaluate compliance with the Direction using the supporting guidance.

**73.** Auditors should report in their 2026/27 Annual Audit Report:

- A conclusion on each council's arrangements for preparing and publishing the statutory performance information
- Any instances where the arrangements or reporting are not in accordance with the Direction
- Areas where the arrangements require to be improved.

## Reporting a summary of indicators

**74.** The Accounts Commission and Controller of Audit require auditors to include in their Annual Audit Reports a summary of the LGBF indicators that the council has reported. Audit Scotland will provide good practice principles for presenting the summary which auditors should follow.

**75.** Auditors should report in their 2026/27 Annual Audit Report a summary of the LGBF indicators in accordance with the good practice principles.

## Thematic reviews

**76.** Auditors are required to report on Best Value themes prescribed by the Commission.

**77.** The thematic work for 2026/27 is on the subject of information and data. That involves auditors focusing on the information and data that councils collect, use and report to support service delivery, decision-making and accountability. In carrying out the consideration, auditors should provide examples in responding to the questions set out in the following table:

| Number | Questions                                                                                                                                                                                                                                                                                                               |
|--------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1      | <b>To what extent does the council have clear arrangements, policies and strategies in place to ensure they are managing data and information appropriately?</b>                                                                                                                                                        |
| 2      | <b>To what extent does the council have effective arrangements to ensure it has appropriate skills, capacity and training to support officers and councillors in their effective use of data and information as well as the skills and capacity in its workforce to design and manage data and information systems?</b> |

## Judgements

**78.** 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

**79.** Auditors are required to clearly report their judgements and conclusions on the thematic review in a separate management report on this work using a template provided on the [Best Value Support](#) site.

**80.** 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 2026/27 audit. All such reports will also be published on the Audit Scotland website as explained in Chapter 10.

# Annual Audit Report

**81.** Auditors should report a summary of the findings and conclusions from this work in each council’s 2026/27 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

**82.** 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

**83.** The Controller of Audit also reports to the Commission on each council’s performance in meeting its Best Value duties at least once over the audit appointment.

**84.** The reports are prepared for the Controller by PABV staff and provide 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 at the council in their Annual Audit Report. The latest Annual Audit Report will be presented to the Commission with the Controller’s report.

**85.** The councils scheduled for a Controller of Audit report to Commission meetings between October 2026 and August 2027 are set out below. The reports will be mainly based on 2025/26 annual audits (2024/25 for Stirling) and Best Value thematic reports across the appointment period:

| Councils scheduled in October 2026 to August 2027 programme |                     |                   |
|-------------------------------------------------------------|---------------------|-------------------|
| East Ayrshire                                               | East Dunbartonshire | Midlothian        |
| Stirling                                                    | West Lothian        | Perth and Kinross |
| Aberdeen City                                               | South Lanarkshire   | Eilean Siar       |

**86.** The Controller of Audit will begin reporting to the Commission based on 2026/27 audits from October 2027. There is no set programme for these reports as the Controller will make selections on a risk basis. Relevant auditors will be advised in due course.

## Best Value in other local government bodies

### Section 106 bodies

**87.** Auditors' duty to consider the arrangements to secure Best Value also applies to bodies that fall within [section 106](#) of the 1973 Act. This includes IJBs, valuation joint boards, joint committees, transport partnerships, and charities.

**88.** Auditors should undertake this duty in a way that is proportionate to the size and type of the section 106 body. The following points should be given due regard:

- Auditors should consider how the section 106 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.
- The programme of Controller reports on Best Value does not include section 106 bodies.

### Best Value in pension funds

**89.** Local government pension funds are administered by the relevant council, who is required to prepare a separate set of accounts for the pension funds it administers. For the avoidance of doubt, pension funds are not section 106 bodies.

**90.** As pension funds are not separate entities in their own right, the statutory responsibility relating to Best Value in the operation of the pension fund lies with the relevant administering council.

**91.** Auditors should include in their 2026/27 Annual Audit Plan and Annual Audit Report prepared for the pension fund:

- narrative explaining the relationship between the council and the pension funds it administers
- any specific Best Value work to be, or has been, undertaken at the administering council that is directly applicable to the pension fund.

## Contact points

The main contact for Best Value audit activity in local government is Blyth Deans.

## 5: Considering Best Value arrangements

### Central government and NHS bodies

Paragraph 60 of the Code of Audit Practice requires auditors of central government and NHS bodies to consider the arrangements put in place by Accountable Officers to meet their Best Value obligations.

That requirement does not extend to the auditors of colleges.

**92.** For central government and NHS bodies, 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](#) sets out their duty to ensure that arrangements are in place to secure Best Value in public services.

**93.** The ministerial guidance sets out seven Best Value themes. The guidance sets out the evidence for each of the themes that demonstrates that a body has in arrangements in place to secure Best Value. The wider scope areas referred to in Section 3 of this guidance are aligned with the Best Value themes.

**94.** In order to reinforce the alignment, each wider scope area has been mapped to a related Best Value theme. The following table maps each wider scope area to the related Best Value theme. It demonstrates that consideration by appointed auditors of the wider scope areas also means de facto consideration of all the Best Value themes:

| Wider scope area                     | Related Best Value theme                                                                                                                                         |
|--------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Financial management                 | <ul style="list-style-type: none"> <li>• Use of resources</li> <li>• Governance and accountability</li> <li>• Performance management</li> </ul>                  |
| Financial sustainability             | <ul style="list-style-type: none"> <li>• Use of resources</li> </ul>                                                                                             |
| Vision, leadership and governance    | <ul style="list-style-type: none"> <li>• Vision and leadership</li> <li>• Governance and accountability</li> <li>• Sustainability</li> <li>• Equality</li> </ul> |
| Use of resources to improve outcomes | <ul style="list-style-type: none"> <li>• Use of resources</li> </ul>                                                                                             |

**95.** Auditors of central government and NHS bodies should:

- consider, as an integral part of considering the wider scope areas, the related Best Value theme
- form a conclusion, based on the work carried out on the wider scope areas, on whether the body has proper arrangements in place to secure Best Value
- report the conclusion in the 2026/27 Annual Audit Report on whether the body has proper arrangements in place to secure Best Value.

### **Best Value themes**

**96.** Auditors may also carry out specific audit work on some of the seven Best Value themes set out in the ministerial guidance. The nature and extent of this work will be determined by auditors' annual risk assessment.

**97.** However, regardless of the risk assessment, auditors of central government and NHS bodies should carry out work on the Equality theme at least once during the audit appointment. If not carried out at least once in the previous four years, work is required to be included in the 2026/27 Annual Audit Plan.

**98.** The nature and extent of audit procedures on any Best Value theme, including Equality, should be determined by appointed auditors. A separate management report is not required, and auditors can report findings in their Annual Audit Report.

## 6: Other audit outputs

Paragraph 81 of the Code of Audit Practice 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.

### 6A Certificates on grant claims and returns

**99.** Auditors are required to provide certificates for 2026/27 approved claims/returns that relate to housing benefit (HB) subsidy and non-domestic rates (NDR).

**100.** TGNs providing guidance on their certification will be provided during the summer of 2027. These TGNs will advise of the dates for submission of the certificates.

**101.** No other grant claim or similar return may be certified under the audit appointment.

### 6B Assurance statements

#### Whole of Government Accounts

**102.** In previous years, auditors were 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.** In August 2026, the NAO and Treasury withdrew the requirement for auditors to examine returns with effect from 2025/26. The requirement to partially complete and submit an Assurance Statement continues. I&Q will

publish a TGN in July 2027 which will provide guidance on completing and submitting the Assurance Statement.

### Consolidation schedules

**104.** In previous years, auditors were required to provide assurance on consolidation schedules completed by health boards to facilitate the preparation of the health information included in the Scottish Government Consolidated Accounts.

**105.** This requirement has been withdrawn and does not apply to 2026/27.

## 6C Report on summary financial information

**106.** Auditors should:

- establish whether their audited body produces a separate annual report, in addition to the annual accounts, that includes summary financial information
- where appropriate, express an opinion on whether the summary financial information is consistent with the audited financial statements.

**107.** Guidance on the procedures to be carried out, including a model report, will be provided in a TGN planned for March 2027.

### Contact points

The main contact for other audit outputs is set out in the following table:

| Area          | Contact | Contact details                                                              |
|---------------|---------|------------------------------------------------------------------------------|
| Other outputs | I&Q     | <a href="mailto:TechnicalQueries@audit.scot">TechnicalQueries@audit.scot</a> |

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## 7: Information returns required by Audit Scotland

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Paragraph 104 of the Code of Audit Practice requires appointed auditors to complete information returns. The information returns required for 2026/27 are summarised in the following paragraphs.

### 7A Contributions to performance audit work

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

**109.** 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 outputs
- Performance audit reports and briefing papers.

#### Sectoral outputs

**110.** PABV staff are responsible for preparing sectoral outputs each year. For 2026/27, these outputs are expected to comprise reports on councils, integration authorities, the NHS in Scotland, and colleges. Auditors will be requested to provide supplementary information in a dataset.

**111.** Auditors should:

- complete the dataset taking due care and attention
- agree factual accuracy with the audited body
- submit the completed dataset to Audit Scotland in accordance with paragraph 10.

#### Performance audit outputs

**112.** Auditors may be asked to contribute information to particular performance audit outputs where they are considered best placed to do so.

**113.** The programme adapts as new issues emerge or risks change and therefore it is not practicable to set out in this guidance the specific work 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 2026/27 annual audits.

## 7B Current Issues Returns (local government)

### Introduction

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

**115.** A formal return is not required for other sectors. Arrangements for those other sectors are covered at section 8B.

### Scope and use of returns

**116.** The Current Issues Returns for local government bodies are used:

- by the Controller of Audit to advise the Commission on strategic risks arising from the annual audit and to inform its forward work programme.
- to inform discussions on themes at quarterly Local Government Sector meetings (explained at Section 8C).

**117.** 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.

**118.** The template has the following columns:

- Risk category
- Issue being reported
- Planned auditor response.

### Risk category

**119.** 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.

### Reportable issues

**120.** When considering what to include in Current Issues Returns, auditors should:

- focus on the more significant emerging audit issues related to the annual accounts, wider scope areas and Best Value
- include key developments for information (e.g. changes in leadership, media headlines)

- provide information on any specific matters requested by the Controller of Audit on behalf of the Commission.

## Auditor response

**121.** Auditors should not wait until they have undertaken any work on the issue before including it in a return.

**122.** Auditors should however clearly set out their intended response in the Current Issues Return. This demonstrates that work is scheduled in response to the issue identified and provides assurance to the Commission that the matter is being appropriately addressed.

## Illustrative return

**123.** The following table provides some illustrative examples of reportable issues, along with the related risk category, and the planned auditor response:

| Risk 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 2026/27 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 council is undertaking a review to determine more achievable targets and any likely impact on reserves.                                                                                                         | Evaluation of the financial position including consideration of budget monitoring reports and the financial assumptions used.                                                                                                    |
| Ineffective leadership and governance         | Following the appointment of a new Chief Executive, 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.                                                                                | Consideration of the impact of such unsettled leadership on the council's improvement plans.<br><br>Regular engagement with the Chief Executive and Leader of the council.<br><br>Potential coverage in the Annual Audit Report. |

## Submission dates

**124.** Auditors must submit completed Current Issues Returns in accordance with paragraph 10 (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                |
|-------------------------|-----------------------|-------------------------|
| <b>12 February 2027</b> | <b>13 August 2027</b> | <b>12 November 2027</b> |

**125.** The above dates align with the dates of the Commission's Strategic Seminars and therefore it is important that they are met so that the information can be provided to the Commission 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.

## 7C Fraud Returns

**126.** Fraud Returns should be prepared and submitted by auditors in all sectors in accordance with [guidelines](#) provided by I&Q 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.

**127.** I&Q 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 10 by the following dates:

| Quarter 1               | Quarter 2               | Quarter 3          | Quarter 4             |
|-------------------------|-------------------------|--------------------|-----------------------|
| <b>30 November 2026</b> | <b>28 February 2027</b> | <b>31 May 2027</b> | <b>31 August 2027</b> |

## 7D Contributing to TGNs

**128.** I&Q 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.

**129.** 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 annual report             | Richard Robinson          | <a href="mailto:rrobinson@audit.scot">rrobinson@audit.scot</a>                                                      |
| Council overview report                   | Leigh Johnston            | <a href="mailto:ljohnston@audit.scot">ljohnston@audit.scot</a>                                                      |
| Integration authority overview report     | Leigh Johnston            | <a href="mailto:ljohnston@audit.scot">ljohnston@audit.scot</a>                                                      |
| Colleges overview output                  | Derek Hoy                 | <a href="mailto:dhoy@audit.scot">dhoy@audit.scot</a>                                                                |
| Current Issues Returns (local government) | John Boyd and Blyth Deans | <a href="mailto:jboyd@audit.scot">jboyd@audit.scot</a> and <a href="mailto:bdeans@audit.scot">bdeans@audit.scot</a> |
| Fraud returns                             | Anne Cairns               | <a href="mailto:acairns@audit.scot">acairns@audit.scot</a>                                                          |
| Contribution to TGNs                      | I&Q                       | <a href="mailto:TechnicalQueries@audit.scot">TechnicalQueries@audit.scot</a>                                        |

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## 8: Other core responsibilities or activities

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

### 8A Statutory reports

**130.** Appointed auditors are responsible for alerting the relevant sector lead, as promptly as possible, about any significant matters that may result in the Auditor General or Controller of Audit preparing a statutory report respectively, for the Scottish Parliament's Public Audit Committee or for the Commission.

**131.** Audit Scotland has issued [guidance](#) that sets out the arrangements, and roles and responsibilities, in relation to

- considering whether a statutory report is required
- planning, preparing, and publishing statutory reports
- presenting statutory reports to the Commission or Public Audit Committee.

**132.** Auditors should ensure they follow the guidance in 2026/27.

### 8B Communicating emerging matters (other than local government)

**133.** 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. This should be done promptly after the matter is identified.

**134.** 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.

**135.** 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.

## 8C Contribution to sector meeting discussions

**136.** 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.

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

## 8D Correspondence and issues of concern

**138.** 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.

**139.** 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.

**140.** 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.

**141.** Any fee agreed for work commissioned from auditors in addition to core annual audit activity should be in accordance with chapter 8.

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

## 8E Statutory objections and public inspection

**143.** An interested person has the right under section 101 of the 1973 Act to inspect the unaudited annual accounts and associated documents of local government bodies. Bodies are required by the accounts regulations to give a public notice of this right on their website. Key dates for the inspection process are as follows:

- Publication of the 2026/27 notice should be no later than Thursday 17 June 2027.
- The specified starting date for the inspection period must be at least 14 days after the date that the notice is published. The date specified cannot therefore be later than Thursday 1 July 2027.
- The inspection end date should be 15 working days from (and including) the start date but cannot be later than Wednesday 21 July 2027.

**144.** Auditors should evaluate whether the public notice for 2026/27 is in accordance with the accounts regulations. Audit Scotland will publish a TGN in April 2027 to provide auditors with guidance in this regard. Auditors should report any non-compliance:

- to the local government sector lead as soon as practicable after it has been identified who will then advise the Controller of Audit
- formally in their Annual Audit Report.

**145.** [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.

**146.** Auditors should consider and report on any objections received in accordance with the TGN that is scheduled to be published in April 2027.

**147.** 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 revise the agreed fee in accordance with AQA guidance.

## 8F National Fraud Initiative reporting

**148.** The National Fraud Initiative (NFI) in Scotland reporting is a biennial counter-fraud exercise led by Audit Scotland and overseen by the Public Sector Fraud Authority for the UK. It uses technology to compare information held by different public bodies, and on different financial systems to identify data matches that might suggest the existence of fraud or error.

**149.** Auditors have an important part to play in the success of NFI 2026/27. Auditors should monitor audited body participation and progress and, where appropriate, include references to NFI in their 2026/27 Annual Audit Reports. Auditors will receive support and quarterly management information from Audit Scotland's NFI manager to help monitor participating body progress with the follow-up of NFI matches.

**150.** The following bodies have submitted datasets for matching in 2026 for follow-up in 2027 as part of the 2026/27 NFI exercise:

- all councils, Strathclyde Partnership for Transport, and Tayside Contracts
- specified central government bodies
- all health boards
- all incorporated colleges.

## 8G Anti-money laundering

**151.** 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 I&Q. Any such instances should be advised to I&Q 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 the Commission.

## 8H Shared Risk Assessment and Joint Scrutiny Planning

**152.** 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.

**153.** Detailed [guidance for auditors](#) on scrutiny coordination and Local Area Networks (LANs) is available from the Technical Reference Library. In summary, appointed auditors are required to:

- engage with contacts in other scrutiny bodies through the LAN 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.

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

## 8I Sharing intelligence for health and social care

**155.** The Sharing Health and Care Intelligence Network exists to share concerns about the health and social care system and ensure appropriate action is taken. The network comprises health and social care agencies and professional regulatory bodies and meets on a quarterly basis.

**156.** Audit Scotland will contact auditors about three weeks before each network meeting to ask whether there are any emerging issues or concerns they wish to share with the network. Auditors are required to respond to such requests.

**157.** A body will be considered at a network meeting if auditors or other agencies identify emerging issues or concerns. Audit Scotland will advise auditors when their audited body is due to be considered at a network meeting.

Auditors are expected to attend the network meeting so they can hear intelligence from the other agencies.

## 8J Section 106 charities

**158.** 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).

**159.** 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 agree a fee with the administering council.

**160.** Some councils continue to administer a significant number of section 106 charities. I&Q will provide information on numbers in December 2026. 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)
- add an external trustee
- make full use of the connected charities provisions under Regulation 7 of Charities Regulations.

**161.** For the avoidance of doubt, a full ISA-compliant audit is required for section 106 charities. Auditors should consider whether the charities meet the criteria to be treated as Less Complex Bodies and discharge their wider scope responsibilities accordingly.

**162.** 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                                    | Leigh Johnston | <a href="mailto:ljohnston@audit.scot">ljohnston@audit.scot</a> |
| Statutory reports and communicating current issues – central government | Carole Grant   | <a href="mailto:cgrant@audit.scot">cgrant@audit.scot</a>       |

| Area                                                                   | Contact                          | Contact details                                                                                                              |
|------------------------------------------------------------------------|----------------------------------|------------------------------------------------------------------------------------------------------------------------------|
| Statutory reports and communicating current issues – health            | Carol Calder and Claire Gardiner | <a href="mailto:ccalder@audit.scot">ccalder@audit.scot</a><br><a href="mailto:cgardiner@audit.scot">cgardiner@audit.scot</a> |
| Statutory reports and communicating current issues – colleges          | Derek Hoy                        | <a href="mailto:dhoy@audit.scot">dhoy@audit.scot</a>                                                                         |
| Correspondence and issues of concern                                   | Nicola Bryson                    | <a href="mailto:correspondence@audit.scot">correspondence@audit.scot</a>                                                     |
| Statutory objections, anti-money laundering, and section 106 charities | I&Q                              | <a href="mailto:TechnicalQueries@audit.scot">TechnicalQueries@audit.scot</a>                                                 |
| Shared Risk Assessment and Joint Scrutiny Planning                     | Blyth Deans                      | <a href="mailto:bdeans@audit.scot">bdeans@audit.scot</a>                                                                     |
| Intelligence in health and social care                                 | Richard Robinson                 | <a href="mailto:rrobinson@audit.scot">rrobinson@audit.scot</a>                                                               |

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# 9: Additional audit activity

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Additional audit activity refers to any specific work commissioned from auditors outwith core annual audit activity. This is most likely to relate to elements of:

- the production of statutory reports (section 8A)
- following up an issue of concern raised with the Correspondence Team (Section 8D).

## Audit fees

**163.** When commissioning additional audit activity in respect of a statutory report, item of correspondence or other matter, Audit Scotland will indicate whether the additional fee is to be charged to the audited body.

**164.** In the interests of transparency and to maintain a distinction between core audit activity and additional audit activity, specific commissioned work charged to the audited body should involve a separate audit fee rather than revising the agreed fee for the core audit.

**165.** Auditors should request the additional fee promptly after completing the related activity.

## Grade-related rates

**166.** Additional audit activity on specific commissioned work should be charged by the firms at the rates in Schedule 2 of the Framework Agreement, as uprated annually and advised by AQA. These rates are inclusive of VAT.

## Contact point

The main contact point for additional audit activity is AQA – [quality@audit.scot](mailto:quality@audit.scot).

# 10: Audit completion

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

## Annual Audit Report

**167.** The content of the Annual Audit Report has been discussed throughout this guidance. In summary, each Annual Audit Report for 2026/27 should reflect:

| Component                        | Explanation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|----------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Matters arising required by ISAs | Matters arising from the audit of the annual accounts that require by ISAs to be reported to those charged with governance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Key audit matters                | A subset of the above matters that required the most significant auditor attention in the audit of the annual accounts.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Materiality                      | <p>Any revisions to materiality figures used compared with those included in the Annual Audit Plan, including an explanation of the significant judgments in determining the revised amounts.</p> <p>An overview of the scope of the audit, including how it:</p> <ul style="list-style-type: none"> <li>• addressed each of the significant assessed risks of material misstatement</li> <li>• was influenced by the auditor's application of materiality.</li> </ul>                                                                                                                                                                                                                                       |
| Conclusions                      | Clear conclusions based on the work carried out on the arrangements in place for each wider scope area and for securing Best Value.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Best Value in councils           | <p>Overall conclusion on the arrangements for securing Best Value and:</p> <ul style="list-style-type: none"> <li>• Judgements on the pace and depth of improvements reported in previous years</li> <li>• Findings, judgements and actions needed to address any improvement areas arising from any work carried out on themes in the statutory guidance</li> </ul> <p>A conclusion on the arrangements a council has in place for complying with the Commission's SPI direction and:</p> <ul style="list-style-type: none"> <li>• Instances where the arrangements or reporting are not in accordance with the SPI Direction</li> <li>• Areas where the SPI arrangements require to be improved</li> </ul> |

| Component       | Explanation                                                                                                                                                                        |
|-----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                 | <p>A summary of the LGBF indicators in accordance with good practice principles from Audit Scotland</p> <p>A summary of the findings and conclusions from the thematic review.</p> |
| Recommendations | Recommendations for areas of improvement to address any significant weaknesses in arrangements.                                                                                    |
| Good practice   | Any good practice identified as part of normal audit work.                                                                                                                         |

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

### Target submission dates

**169.** The Annual Audit Report should be submitted to Audit Scotland (on behalf of the Auditor General and Controller of Audit) in accordance with paragraph 10. 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                                                                     | <b>30 June 2027</b>      |
| Central government - agencies and NMDs (except Social Security Scotland)   | <b>31 August 2027</b>    |
| Local government                                                           | <b>30 September 2027</b> |
| Central government - NDPBs and similar bodies and Social Security Scotland | <b>31 October 2027</b>   |
| College                                                                    | <b>31 December 2027</b>  |

### Submission of management/interim reports

**170.** 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

**171.** AQA will deem that the 2026/27 annual audit is complete on the date that auditors submit to Audit Scotland (as defined in paragraph 10):

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

**172.** Auditors should contact AQA as soon as they identify a likelihood that the target submission date for the sector may not be met. Auditors should:

- explain the reason for the anticipated 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
- advise the expected date by which the required reports will be submitted and provide regular updates until submission.

**173.** 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.

## Accessibility

**174.** All outputs published on the Audit Scotland website are required to comply with [The Public Sector Bodies \(Websites and Mobile Applications\) \(No. 2\) Accessibility Regulations 2018](#). These regulations place an obligation on 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

**175.** Auditors should contact Audit Scotland's Communications team to 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 points

| Area                             | Contact             | Contact details                                            |
|----------------------------------|---------------------|------------------------------------------------------------|
| Completion of audit              | AQA                 | <a href="mailto:quality@audit.scot">quality@audit.scot</a> |
| Sensitive or contentious reports | Communications team | <a href="mailto:media@audit.scot">media@audit.scot</a>     |

# Guidance on Planning the Annual Audit

2026/27 annual audits of public bodies



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