

# Technical Bulletin

## 2025/2

Technical developments and emerging risks from  
April to June 2025



 AUDIT SCOTLAND

Prepared by Audit Scotland for appointed auditors and audited bodies in all sectors  
30 June 2025

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## Accessibility

Auditors can find out more and read this bulletin using assistive technology on the Audit Scotland website [www.audit.scot/accessibility](http://www.audit.scot/accessibility).

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# 1: Introduction

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## Purpose

The purpose of Technical Bulletins from Audit Scotland's Innovation and Quality (I&Q) business group is to provide auditors appointed by the Auditor General for Scotland and Accounts Commission for Scotland with:

- information on the main technical developments in each sector during the quarter
- information on professional matters during the quarter that are expected to have applicability to the public sector
- summaries of responses to any requests from auditors for technical consultations with I&Q.

Appointed auditors are required by the Code of Audit Practice to pay due regard to Technical Bulletins. The information on technical developments is aimed at highlighting the key points that I&Q considers auditors in the Scottish public sector require generally to be aware of. It may still be necessary for auditors to read the source material if greater detail is required in the circumstances of a specific audited body. Source material can be accessed by using the hyperlinks.

Any specific actions that I&Q recommends that auditors take are highlighted in **bold**.

Technical Bulletins are also published on the Audit Scotland [website](#) and therefore are available for audited bodies and other stakeholders to access. However, hyperlinks to source material indicated with an asterisk (\*) link to files on Audit Scotland's [SharePoint\\*](#) and are only accessible by auditors.

## Highlighted items

I&Q highlights in the following table a selection of the items in this Technical Bulletin that are of particular importance:

Highlighted items		
I&Q has published TGNs on Independent Auditors Reports for 2024/25 [paragraph 1]	CIPFA has issued two bulletins on the 2024/25 financial statements in local government [paragraph 23]	PWC has provided a report to support auditors when assessing information produced by actuaries in respect of the LGPS [paragraph 27]
I&Q has issued guidance on objections to 2024/25 local government accounts [paragraph 37]	CIPFA/LASAAC has published the 2025/26 accounting code [paragraph 45]	CIPFA has issued an addendum to Delivering good governance in local government [paragraph 51]
Treasury has issued an amended 2024/25 FreM [paragraph 61]	The Cabinet office has issued guidance on 2024/25 remuneration reports [paragraph 63]	The FRC has published guidance on the use of AI in audit [paragraph 81]

## Consulting with I&Q

Auditors should consult with I&Q by completing an [enquiry form](#) and submitting it to [TechnicalQueries@audit-scotland.gov.uk](mailto:TechnicalQueries@audit-scotland.gov.uk).

# 2: All sectors

## Independent auditor’s reports for accounts in 2024/25

1. I&Q has published the following Technical Guidance Notes (TGNs) to provide auditors with model forms of Independent Auditor's Reports (IAR) which should be used for the 2024/25 annual accounts of the following public bodies:
- TGN 2025/2(CG) for central government bodies
  - TGN 2025/3(H) for health boards
  - TGN 2025/4(LG) for local government bodies.
2. Auditors are required by the Code of Audit Practice to prepare their IARs in accordance with the TGN. The TGN is available with supporting material to auditors on [SharePoint](#)\* and is also freely available from the Audit Scotland [website](#).
3. The model forms of IARs set out in the appendices of the TGNs have been tailored to reflect relevant legislation and augmented by the reporting requirements of the Auditor General and Accounts Commission.
4. There are no changes to the previous guidance and model IARs for 2023/24.
5. For the 2024/25 audits of public bodies, **auditors should:**
- **use the relevant model form of IAR for each audited body**
  - **follow the specified wording other than where tailoring adjustments are set out in the application guidance in the TGN**
  - **consult with I&Q on any modified opinion or conclusion**
  - **complete an Auditor Action Checklist for each IAR prepared.**

## Guidance on the 2024/25 WGA returns for preparers

6. [HM Treasury](#) has issued guidance on preparing the 2024/25 Whole of Government Accounts (WGA) returns for [local government](#) and [central government](#) bodies. WGA is prepared by Treasury and consolidates the audited accounts of bodies in the UK that exercise functions of a public nature or are funded from public money.
7. Paragraph 1.7.1 sets out the key dates for 2024/25 WGA as summarised in the following table:

Sector	Cycle	Return	Submission Date
Central Government	1	Unaudited	15 August 2025

Sector	Cycle	Return	Submission Date
Local Government	2	Audited	12 September 2025
	1	Unaudited	29 August 2025
	2	Audited	3 October 2025

**8.** Auditors are not expected by I&Q to meet the submission dates for audited returns if doing so would compromise audit quality. Auditors should instead make the submission as soon as reasonably practicable. A TGN on the WGA process will be prepared in due course.

**9.** A diagram at paragraph 4.2.2 sets out the steps involved in the WGA submission process. The steps depend on whether the body is above the audit threshold. Paragraph 1.7.2 advises that the threshold for audit is breached if any of total assets (excluding PPE), total liabilities (less pension liabilities), total income or total expenditure is above £2 billion. ‘Minor’ Bodies are exempt from the WGA process if their gross expenditure, gross income, gross assets, and gross liabilities are below £30 million for both 2023/24 and 2024/25.

**10.** Annex A provides a summary of the proforma tabs used to input data. Chapter 7 provides more detailed guidance on inputting data into the tabs. Paragraph 7.3 explains that the Audit Report is a view of all data submitted which can be shared with auditors. It may be appropriate, to download the individual tabs instead, and also run the new primary financial statements report.

**11.** A key part of the WGA process is the elimination of transactions and balances between WGA bodies. Recording complete and accurate counterparty identifier (CPID) information is the only way in which transactions and balances between WGA bodies can be identified and eliminated. Paragraph 6.3.4 explains how bodies can run a Matches Analysis Tool which allows them to see ‘live’ published data from other bodies.

## Guidance on summary financial information in 2024/25

**12.** I&Q has published TGN/SFI/25 to provide auditors with guidance on examining and reporting on summary financial information for 2024/25. The TGN is available to auditors on [SharePoint\\*](#) and is also freely available from the Audit Scotland [website](#).

**13.** Summary financial information refers to a structured representation of financial information that is derived from, but contains less detail than, a full set of financial statements. In some cases, an audited body may be required by its sponsoring body to produce a separate annual report that includes summary financial information. In other cases, a body may choose to produce a report or other document that contains summary financial information as defined above.

**14.** In either event, auditors should express an opinion on the summary financial information’s consistency with the audited financial statements. TGN/SFI/25:

- provides guidance for auditors on the examination of the summary financial information

- sets out and explains the testing and reporting procedures that auditors should carry out (all summarised in the checklist at Appendix 1)
- provides a model form of report at Appendix 2

## Guidance on statutory reporting

**15.** I&Q has issued [guidance\\*](#) on preparing a “statutory report”. A statutory report allows the Auditor General for Scotland (AGS) or the Controller of Audit (CoA) to bring significant matters to the attention of the public and to the Scottish Parliament or Accounts Commission (Commission).

**16.** The Statutory Reporting guidance applies to Section 22 and Section 102 reports:

- A s22 report typically focuses on specific issues or concerns that the appointed auditor has raised in an audited body’s Annual Audit Report (AAR) or to report publicly on progress with issues raised in a previous s22 report. A s22 report must be laid in the Scottish Parliament at the same time as the audited body’s annual accounts.
- A s102 report typically focuses on specific issues or concerns that the appointed auditor has raised in an audited body’s AAR. The CoA may also decide to prepare a s102 report so they can report publicly on progress with issues raised in a previous s102 report.

**17.** The guidance supplements the Code of Audit Practice and all auditors who are involved in preparing statutory reports are expected to comply with it.

**18.** The guidance 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.

## Charity trustee information

**19.** The [Scottish Charity Regulator](#) (OSCR) has issued an [update](#) on providing trustee information. As a new requirement of the Charities (Regulation and Administration) (Scotland) Act 2023, all Scottish charities must submit trustee information via OSCR Online. Trustee names will be published on the Scottish Charity Register from late 2025 to promote transparency. From 30 June 2025, annual returns cannot be completed without providing trustee details.

**20.** For each trustee, charities should collect and submit information including the:

- full name
- contact details
- date of appointment.

**21.** Only the trustee's name will be made public. Trustees can apply for exemption from publication if there is a safety risk.

**22.** From early 2026, all submitted charity accounts will be published in full, including any personal information included, for at least five years.



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# 3: Local Government Sector

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## Guidance on the 2024/25 financial statements

**23.** [The Chartered Institute of Public Finance and Accountancy](#) (CIPFA) has issued two Bulletins on preparing the 2024/25 financial statements. [Bulletin 19 Closure of the 2024/25 Financial Statements](#) provides guidance on closing the financial statements. The guidance is intended to be best practice, but it does not have the formal status of the accounting code.

**24.** The accounting standards introduced by the 2025/26 accounting code which require to be considered for disclosure as “standards issued but not yet adopted” in 2024/25 include:

- IAS 21 and IFRS 17, it is likely there will be limited application of these standards and disclosure may not be required, although bodies will need to consider their individual circumstances
- adaptations and interpretations of IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment, requiring quinquennial revaluations with indexation in intervening years, as these have the same effect as a change in accounting policy due to an amendment to standards. The adaptations also include a relief from the requirements of IAS 8 which mean that the change is applied prospectively. Further explanation is included at paragraph 47 on the 2025/26 accounting code

**25.** The bulletin highlights minor corrections to the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (as explained in [Technical Bulletin 2024/2](#) paragraph 25), including references to the date of initial application of IFRS 16 should have read 1 April 2024.

**26.** [Bulletin 20](#) provides clarifications in relation IFRS 16 for assets held by police and crime commissioners and used by chief constables in England. However, some of the clarifications apply equally to local government bodies in Scotland.

## 2024/25 report on actuarial information

**27.** I&Q has arranged for PWC to provide a [report\\*](#) to support auditors when assessing the competence and objectivity of, and assumptions and approach adopted by, actuaries producing information required by IAS 19 figures in respect of the Local Government Pension scheme (LGPS) as at 31 March 2025. **Auditors should refer to paragraphs 15 to 19 in Module 4 of TGN 2025/1 for guidance on using the report and further information.**

**28.** PWC have confirmed the competence and objectivity of the actuaries involved in valuations for the LGPS in Scotland. They are also comfortable that in aggregate the assumptions adopted by all actuaries will lead to liabilities falling within their expected ranges for a typical employer at

**29.** However, the report advises **auditors to consider whether:**

- local issues have been adequately covered in instructions issued by employers to actuaries (page 3)
- to subject the source data provided to the actuaries by employers to further audit procedures as discussed in section 5 of the report
- to establish actual asset returns and compare them with expected returns arrived at using market indices (see page 15).

**30.** Page 12 of the report sets out the assumptions with the greatest impact on the IAS 19 figures (the discount rate, CPI inflation and mortality), the consistency of the methodologies used between years and the refinements to approaches in 2025.

**31.** Page 24 of the report provides an update on Guaranteed Minimum Pension (GMP) indexation and equalisation, the McCloud judgement and other legal cases. In summary:

- There have been no relevant developments related to GMP and all actuaries are following an approach in 2024/25 consistent with 2023/24.
- In relation to the McCloud judgement, all actuaries are following an approach in 2024/25 consistent with prior years.
- GAD is reviewing the potential implications for LGPS of a High Court legal ruling on the Virgin Media case in June 2023. No actuaries made specific allowance for this judgement at 31 March 2025 as the applicability to LGPS is currently too uncertain.

**32.** Pages 18 to 21 of the report provide an update and guidance on IFRIC 14 and IAS 19 surpluses. Actuaries do not have a standard approach to IFRIC 14, and so auditors will need to establish the approach used by the actuary for each employer.

**33.** For areas not covered by the CIPFA guidance on IFRIC 14 (explained in [Technical Bulletin 2023/4](#) paragraph 19), page 19 sets out the expectation that:

- future service contributions will be assumed to continue into perpetuity
- positive or negative past service contributions will be assumed to continue over the period they were originally calculated on
- unfunded benefits are excluded from any IFRIC 14 calculations.

**34.** Page 20 confirms that all actuaries, unless otherwise requested, will assume that the future service contribution rates will remain constant even for periods beyond the current triennial valuation period.

**35.** Page 21 confirms that the net interest income recognised in 2024/25 should be reduced due to an asset restriction in 2023/24. Auditors should clarify whether actuaries' calculations have taken into account any restrictions applied in 2023/24.

**36.** Appendix E to the report provides additional guidance on the application of IFRIC 14 addressing the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments.

## Guidance on objections to 2024/25 annual accounts

**37.** I&Q has published TGN 2025/5(LG) to provide auditors with guidance on the right of an interested person under section 101 of the Local Government (Scotland) Act 1973 to:

- inspect the unaudited 2024/25 annual accounts of a local government body
- object to those accounts.

**38.** The TGN is available with supporting material to auditors on [SharePoint\\*](#) and is also freely available from the Audit Scotland [website](#).

**39. Auditors should:**

- **evaluate whether the public inspection notice for 2024/25 is in accordance with applicable legislation**
- **carry out the actions set out in the TGN for any objections received.**

**40.** The Local Authority Accounts (Scotland) Regulations 2014 require the proper officer to:

- ensure that the financial statements give a true and fair view
- certify this by signing and dating the statement of responsibilities and the balance sheet
- publish the unaudited accounts on the website and submit them to the appointed auditor no later than 30 June.

**41.** I&Q is aware that a number of local government bodies may be unable to submit a complete set of unaudited accounts by the statutory deadline due to significant delays in obtaining the information to include transactions, balances and disclosures related to the implementation of IFRS 16. Some local government bodies have outsourced the preparation of IFRS 16 information and have received only incomplete data or been notified that data will not be available by the 30 June.

**42.** In such cases, the local government body may be considering the following options:

- Delaying submission of the unaudited accounts until the information is available to include IFRS 16 transactions and balances, with appropriate disclosure.
- Submitting the unaudited accounts by 30 June, including estimated IFRS 16 transactions and balances, with appropriate disclosure.
- Submitting unaudited accounts by 30 June which exclude IFRS 16 transactions and balances, with appropriate disclosure to reflect the omission.

**43.** In I&Q's view, where reasonable estimates based on the latest available reliable information is available, they should be included. However, if information on reasonable estimates cannot be obtained without undue effort, the third option offers a pragmatic approach, providing a balance between timely submission and accurate

reporting. Where this option is taken, bodies should ensure the position is clearly disclosed in the unaudited accounts and that full implementation of IFRS 16 is reflected in the audited accounts.

**44.** The decision on which option to adopt remains the responsibility of the proper officer. Auditors may want to consider including references to the particular circumstances of the local government body the option chosen and, where relevant, reporting adjustments above the reportable threshold in their annual audit report.

## 2025/26 accounting code

**45.** [CIPFA/LASAAC](#) has issued the [accounting code](#)\* to set out local government accounting requirements for 2025/26. The financial reporting framework is based on International Financial Reporting Standards (IFRS) as adopted by the UK, adapted for the local government context where necessary.

**46.** The most significant changes to the 2025/26 accounting code relate to the HM Treasury thematic review of measurement requirements for non-investment assets.

### Non-investment assets

**47.** Revaluations for each class of property, plant and equipment should use one of the following three processes:

- A quinquennial revaluation supplemented by annual indexation in intervening years.
- A rolling programme of revaluations over a five-year cycle, with annual indexation applied to assets during the intervening four years.
- For non-property assets only, appropriate indices.

**48.** Out-of-cycle revaluations are not required unless there is an indication of impairment.

**49.** The transition period is from 1 April 2025 to the date the next revaluation is due for an asset. Changes to the valuation should be applied prospectively, with no restatement of prior year figures.

### Other changes

**50.** Section 3.7 has been updated to reflect the change in content of the annual governance statement following the publication of [Delivering Good Governance in Local Government: Framework – Addendum](#) (see paragraph 52).

## Guidance on the governance framework

**51.** CIPFA has published an [addendum](#), applicable from 2025/26, to the Delivering Good Governance in Local Government Framework (governance framework).

**52.** Local government bodies are required to undertake an annual review of the effectiveness of their system of internal control. The outcome is published in an Annual Governance Statement (AGS). Guidance on the completion of the review and producing the AGS is provided in the governance framework.

**53.** CIPFA have updated the governance framework by replacing chapter 7 with the addendum. The addendum updates the governance framework and aims to:

- support good governance in the sector
- reflect changes affecting governance in local government bodies since the governance framework was issued in 2016
- encourage robust reviews of governance arrangements and improve accountability to stakeholders

**54.** The addendum sets out the scope of the annual review of the effectiveness of the body's system of internal control. The outcome is published in the Annual Governance Statement (AGS).

**55.** The addendum strengthens the previous recommendation that local authorities adopt a local code of governance which sets out their governance arrangements. It now requires that the local code should show how governance principles are put into practice.

**56.** While there is no standard template for the AGS, the addendum sets out that the AGS should contain the following elements:

- an executive summary, including an overall opinion on whether governance arrangements were fit for purpose.
- an assessment of effectiveness, setting out how the overall opinion was arrived at.
- where governance needs to improve, including an action plan.
- how governance has been improved over the current financial year.
- a forward look on governance.

## **2024/25 housing benefit subsidy claims**

### **Technical Guidance Note for auditors**

**57.** I&Q has published TGN/HBS/25 on certifying the 2024/25 housing benefit (HB) subsidy claim. The TGN is provided with supporting material to auditors on [SharePoint](#)\* and is also available from the Audit Scotland [website](#). The TGN:

- provides guidance for auditors on the examination of the HB subsidy claim, including highlighting the main risk areas
- sets out and explains an overview of the certification approach, the preliminary procedures (at section 1), testing procedures (at section 2), procedures for evaluating results and agreeing amendments (section 3) completion procedures (at section 4) and post-certification procedures (at section 5) that auditors should carry out (all summarised in the checklist at Appendix 1)
- provides examples of reporting errors and observations in a letter to the Department for Work and Pensions (DWP) at Appendix 3

- provides examples of reporting the results of any post-certification procedures at Appendix 4.

**58.** There are no changes to the auditor approach to certification in 2024/25.

**59. Auditors should certify 2024/25 HB subsidy claims in accordance with TGN/HBS/25.**

### **DWP guidance and tools**

**60.** The following modules of the HB subsidy certification approach have been issued by the DWP. **Auditors should refer to these modules when certifying the 2024/25 subsidy claims:**

- [The uprating checklist](#)\* to help auditors ensure that the authority's system is using the correct benefit parameters to calculate benefit entitlement and for the authority to claim the correct amount of subsidy.
- The [workbooks](#)\* to be completed for detailed testing.
- The software diagnostic tool\* to ensure the subsidy claim has been completed using the recognised software for claim completion and reconciles "benefit granted" to "benefit paid" in accordance with the software suppliers' instructions.

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# 4: Central Government Sector

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## Amended 2024/25 FreM

**61.** [HM Treasury](#) has issued an amended [2024/25 Government Financial Reporting Manual](#) (FReM). The FReM for 2024/25 was originally issued in December 2023, and subsequently revised in December 2024 (explained in [Technical Bulletin 2025/1](#) paragraph 30).

**62.** The Tables in section 8.1 and section 8.2 have been amended to include adaptations to IAS 8 and IAS 38, which allow entities to early adopt the changes to the intangible assets valuation regime as set out in the 2025/26 FreM (see [Technical Bulletin 2025/1](#) paragraph 41).

## 2024/25 guidance on Remuneration Report disclosures

**63.** [The Cabinet Office](#) has issued an [Employers Pension Notice \(EPN\) 737](#) on the preparation of the pay, pension and compensation disclosures for the Remuneration and Staff Report for 2024/25.

**64.** An example of the disclosures is provided at Annex 13C. The EPN has been updated to reflect to the requirements of the 2024/25 FReM (as explained at paragraph 44). There are no significant changes from 2023/24.

**65.** Auditors should refer to this guidance when auditing the 2024/25 Remuneration Report.

## Disclosure guide for 2024/25 financial statements

**66.** [The National Audit Office](#) has published a [disclosure guide](#) on the 2024/25 financial Statements for bodies covered by the FReM.

**67.** The guide is designed to ensure that bodies covered by the FReM have prepared their 2024/25 financial statements in the appropriate form and have complied with all disclosure requirements. The guide is cross-referenced to the 2024/25 FReM, individual financial reporting standards, and the Companies Act 2006. A tailored checklist can be generated by selecting the criteria that are material to the body.

**68.** When checking that the FReM's disclosure requirements have been met, **auditors should in accordance with the Overview Module of TGN 2025/1:**

- consider requesting that the body completes the disclosure checklist
- investigate the reasons for any non-compliance that the guide highlights
- evaluate whether the body's responses in the checklist are consistent with auditor's knowledge.



# Audit Committee Handbook

69. Treasury has issued a revised [Audit and Risk Assurance Committee \(ARAC\) Handbook](#) to reflect the Global Internal Audit Standards (GIAS), which replace the Public Sector Internal Audit Standards, from April 2025.

70. Chapter 2 sets out the following five good practice principles:

Area	Principle
Membership, independence, objectivity and understanding	<p>The ARAC should be independent and objective.</p> <p>Each member should be a non-executive with a good understanding of the objectives and priorities of the organisation and of their role as an ARAC member.</p>
Skills	<p>The ARAC should have an appropriate skill mix to allow it to carry out its function and duties.</p>
Role of the ARAC	<p>The ARAC should support the board and accountable officer by reviewing the comprehensiveness and reliability of assurances on governance, risk management, the control environment and the integrity of the annual report and accounts.</p>
Scope of work	<p>The scope of the ARAC work should be defined in its terms of reference and cover the assurance needs of the board and accountable officer, engaging with internal and external audit on risk and financial management and reporting issues.</p>
Communication and reporting	<p>The ARAC should ensure effective communication with all key stakeholders, for example, the board, the head of internal audit, the external auditor and other relevant assurance providers.</p>

71. The ARAC should ensure that their internal audit arrangements are compliant with GIAS. Further guidance on the five principles is provided in chapters 3 to 6. The main changes from the previous handbook include:

- a new Annex H outlining the key requirements of the GIAS, providing guidance for ARACs on overseeing and supporting the internal audit function.
- a revised Self-Assessment Checklist (Annex I) aligned with the GIAS, including questions and prompts for internal audit governance and performance.
- clarification of the role of ARACs in supporting organisational governance with an emphasis on risk appetite, control frameworks, and agility in responding to emerging risks.



## Climate Change Disclosure Guide

**72.** Treasury has issued a [Best Practice Guide](#) on climate, environmental and sustainability reporting based on disclosures in the 2023/24 annual reports and accounts of central government bodies.

**73.** This guide is aimed at preparers of accounts and highlights good practice examples of Task Force on Climate-related Financial Disclosures (TCFD)(see [Technical Bulletin 2025/1](#) paragraph 50) and existing environmental reporting practices. Areas of good practice and things to avoid are summarised in the following table:

TCFD subject	Good practice identified	Things to avoid
<b>Introduction and Overview</b>	Use of charts and graphs, and clear, accessible language Clearly outlining relevant frameworks, law, and regulations, and explain how the body complies Presenting key background on the body, its structure and strategy Cross-referencing and signposting to external sources.	Broad or generic claims. Use specific examples of sustainability goals, progress, and achievements Unrealistic projections and an unbalanced view Technical jargon or excessive detail
<b>Governance and accountability</b>	Use of diagrams showing accountability and risk management structures Clearly outlining strategy, including goals, objectives, and key factors influencing performance Tailoring governance information and clearly define roles, responsibilities	Duplication
<b>Risk Management</b>	Using existing climate risk frameworks to support disclosures Integrating disclosures where climate is managed in a similar way to other risks Using terminology consistently to support user understandability.	Disproportionate levels of information on climate, considering other risks faced Presenting climate risks in isolation
<b>Emissions reporting</b>	Reporting Scope 3 emissions beyond business travel Clearly explaining methodologies used, including sources, assumptions and estimates	Unsubstantiated Net Zero Commitments Selectively reporting emissions that paint the body in a positive light

	Being SMART, showing trends over time and performance against targets	Neglecting procurement and supply chains when reporting performance
<b>Metrics and targets</b>	<p>Including interim targets and trajectory lines until the completion dates</p> <p>Visual representation to convey the intended message.</p> <p>Including historic, baseline and target information and explaining performance and actions</p>	<p>Failing to identify where current performance is not on track, or where goals were unlikely to be achieved</p> <p>Inconsistent year-on-year reporting making it difficult to track progress</p>
<b>Strategy</b>	<p>Ensuring consistency with other sections of the report,</p> <p>Providing a long-term perspective on plans and opportunities, outlining milestones and targets.</p> <p>Using scenario analysis to assess the potential financial and operational impacts</p>	<p>Including immaterial opportunities in scenarios.</p> <p>Focusing only on the short-term</p>

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# 5: Health Sector

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## Assurance report on 2024/25 clinical negligence claims

**74.** I&Q has issued [a report](#)\* to auditors following an examination of the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS). The purpose of the report is to:

- provide assurance on the methodology used by the Scottish Government in the calculation of the CNORIS national obligation at 31 March 2025
- inform auditors' evaluation of the role of the NHS Central Legal Office as a management expert.

**75. Auditors should have referred to this report when auditing the 2024/25 provisions for CNORIS.**

## Review of 2023/24 land and building valuations

**76.** I&Q has issued [a report](#)\* to auditors following a review of the use of indices in health boards 2024/25 valuation programmes for land and buildings.

**77.** The review identified which health boards utilised indices for land and buildings valuations and analysed the indices used to help inform auditors judgement.

**78. Auditors should have considered this report when auditing the 2024/25 land and building valuations.**

## Consolidation Schedules

**79.** I&Q has published TGN/HCS/25 to provide appointed auditors of health boards with guidance on examining and reporting on consolidation schedules which boards are required to submit to the Scottish Government for 2024/25. The TGN is available to auditors on [SharePoint](#)\* and is also freely available from the Audit Scotland [website](#).

**80.** Auditors are required to examine the consolidation schedules and report on the results in an Assurance Statement. This TGN provides:

- guidance for auditors on the examination of the consolidation schedules (summarised in the checklist at Appendix 1)
- an Assurance Statement at Appendix 2

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# Professional matters

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## Guidance on the use of AI in audit

**81.** The [Financial Reporting Council \(FRC\)](#) has issued a [thematic review](#) and [guidance](#) on the use of automated tools and techniques (ATTs) in audit.

**82.** Auditors are increasingly using ATTs—such as data analytics and AI—to enhance risk assessment and gather audit evidence. While some tools have been in use for years, their application is expanding into more audit areas, including those involving emerging technologies like artificial intelligence.

**83.** To ensure these tools contribute to audit quality, they must be reliable and used appropriately. Under ISQM (UK) 1, auditors are required to establish quality objectives for the development, implementation, and maintenance of ATTs.

**84.** The certification process—which includes planning, design, implementation, and ongoing monitoring—is essential to verify that ATTs are suitable and reliable for audit use.

**85.** The review found that:

- Most audit firms have well-established certification processes, though some lack formal documentation.
- Firms are working to enhance processes to address AI-specific risks and improve monitoring of ATT usage and impact.

**86.** The thematic review highlighted good practice including:

- Innovative identification of ATT opportunities
- Tailored guidance and training for audit teams
- Ongoing review of ATT effectiveness

**87.** The review encourages a proportionate and flexible approach to certification, tailored to each firm's context, with the ultimate goal of improving audit quality.

**88.** The guidance clarifies expectations for documenting the use of AI-powered tools in audits. Key points are summarised in the following table

Area	Guidance
Documentation requirements	<p>Auditors must document how AI tools are governed, developed, and made explainable.</p> <p>Documentation should be proportionate and may be split between central records and the audit file.</p> <p>The audit file must include relevant information per ISA (UK) 230, especially for tools used in component audits</p>
AI specific considerations	<p>Due to the “black box” nature and autonomous learning of AI, governance and explainability are critical.</p> <p>Documentation should reflect the UK Government’s 5 AI principles.</p>
Balanced Approach	<p>The guidance promotes a proportionate documentation strategy to avoid overburdening firms while maintaining audit quality.</p>

**89.** The guidance includes illustrative example of a potential use case of AI to enhance procedures over journals, and guidance on documenting tools that use AI.

# Technical Bulletin 2025/2

Technical developments and emerging risks from April to June 2025



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