

Technical Bulletin

2025/3

Technical developments and emerging risks from
July to September 2025



 AUDIT SCOTLAND

Prepared by Audit Scotland for appointed auditors and audited bodies in all sectors
30 September 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.

1: Introduction

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 guidance for auditors on the certification of WGA returns [paragraph 1]	CIPFA/LASAAC has issued a consultation on the 2026/27 Code of Practice for Local Authority Accounting [paragraph 5]	Audit Scotland has issued guidance for auditors on reporting on performance in the annual audit report [paragraph 8]
I&Q has published guidance for auditors on the certification of NDR income returns [paragraph 11]	I&Q has issued two technical guidance notes related to the audit of the college sector [paragraph 23 and 26]	The SFC has issued an accounts direction and guidance notes for colleges in 2024/25 [paragraph 30]

Consulting with I&Q

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

2: All sectors

TGN on 2024/25 WGA returns

1. I&Q has published a Technical Guidance Note (TGN) to provide auditors with guidance on examining and reporting on the 2024/25 Whole of Government Accounts (WGA) returns of public bodies in Scotland. TGN/WGA/25 is provided with supporting material to auditors on [SharePoint*](#) and also on the Audit Scotland [website](#).
2. The National Audit Office (NAO) are the group auditor for WGA. Testing and reporting procedures that auditors are required to undertake in respect of providing assurance to the NAO on 2024/25 WGA returns above the threshold is included in the TGN. The procedures are consistent with the NAO's Group Audit Instructions but tailored to Scottish bodies. Reporting procedures include the submission of an Assurance Statement in a form prescribed by NAO.
3. No examination is required for bodies below the threshold, although auditors are required to complete the first eight sections of the Assurance Statement (except for minor bodies) and submit it to the NAO.
4. **Auditors should examine and report on the 2024/25 WGA returns of public bodies in Scotland in accordance with the TGN, and make the required submissions as soon as reasonably practicable.**

3: Local Government Sector

Consultation on the 2026/27 accounting Code

5. [CIPFA/LASAAC Local Authority Code Board](#) has issued two exposure drafts of the accounting code for 2026/27, covering:

- [Amendments to IFRS 9 and IFRS 7](#); and
- [Adaptations to IFRS 15 and IAS 20](#)

6. The main items in the [Invitation to Comment \(ITC\)](#) applicable to Scotland are:

Area	Proposals
Removal of the EFA	<p>It is proposed to remove the EFA in its current form. The Better Reporting Group is currently reviewing statutory overrides, including how they are presented in the accounts, which will impact on considerations regarding the EFA.</p> <p>CIPFA/LASAAC are seeking views on the removal of the EFA and replacement with an alternative statement.</p>
Format and structure of the Code	<p>CIPFA/LASAAC have developed two proposals for the structure and format of future Codes:</p> <ul style="list-style-type: none">• Proposal one is similar to the approach adopted in the Government Financial Reporting Manual (FreM) which requires users to refer directly to the underlying accounting standards. This proposal can more easily highlight divergences between the Code and the accounting standards.• Proposal two is more aligned to the current Code structure and continues to set out requirements for specific elements of the accounts, incorporating wording directly from the underlying standards.
Changes to accounting standards for 2026/27 - Amendments to the classification and measurement of financial instruments (IFRS 9 and IFRS 7)	<p>Changes aim to clarify and improve how financial instruments are classified and measured and include:</p> <ul style="list-style-type: none">• accounting for liabilities settled via electronic payment systems to ensure consistency in timing and recognition of settlement.• assessing contracts for electricity from renewable sources to determine if they qualify for the own-use exemption from IFRS 9. If not, they are treated as financial instruments and measured accordingly. Guidance is provided to support the application of hedge

Area	Proposals
	<p>accounting for agreements not qualifying for the 'own use' exemption.</p> <ul style="list-style-type: none"> enhanced disclosures under IFRS 7 require authorities to consider the detail to be disclosed, the appropriate level of aggregation, and whether additional explanations to evaluate any quantitative information are required.

7. Responses to the consultation should be submitted via the [online survey](#) by 12 October 2025.

Performance reporting guidance 2024/25

8. Audit Scotland has published [guidance*](#) on performance reporting in the Annual Audit Reports (AARs) for the 2024/25 audit of councils.

9. The guidance sets out the following key principles for auditors to consider in their reporting on performance:

- Present performance information clearly and succinctly, allowing conclusions on performance and trends
- Balance reporting of local indicators and priorities against national indicators and datasets
- Use charts and exhibits where appropriate
- Present clear conclusions on performance

10. The guidance includes a number of good practice examples from a sample of 2023/24 AAR. Auditors may wish to refer to this guidance when reporting on councils' performance in 2024/25.

2024/25 Non-domestic rates income returns

11. I&Q has published TGN/NDR/25 on certifying non-domestic rates (NDR) income returns. The TGN provides guidance for auditors on the examination of the NDR income return, including highlighting the main risk areas. The TGN is provided to auditors on [SharePoint*](#) and also on the Audit Scotland [website](#).

12. Auditors should certify 2024/25 NDR income returns in accordance with TGN/NDR/25.

4: Central Government Sector

2024/25 remuneration report disclosure calculator

13. Deloitte have issued a [report*](#) on the tool used by MyCSP to calculate cash equivalent transfer values (CETV) disclosure information for 2024/25 Remuneration Reports. MyCSP administer the Civil Service pension arrangements on behalf of the Cabinet Office and provide disclosure information to a number of Scottish public bodies.

14. The report assesses the processes and controls in place as 'Satisfactory' which means they are considered adequate in the circumstances.

15. Auditors should refer to this report when auditing CETV values in 2024/25.

IFRS 17 supplementary application guidance

16. [HM Treasury](#) has issued [supplementary application guidance](#) to support bodies in applying paragraph B11 of IFRS 17 and in assessing whether a contract meets the definition of a financial guarantee contract under IFRS 9.

17. Paragraph B11 defines insurance risk and sets the criteria for determining whether a contract falls within the scope of IFRS 17. The guidance provides common examples of contracts where bodies may need to apply IFRS 17 paragraph B11, such as:

- where a body awards a contract to a supplier and also provides an indemnity
- some professional indemnity insurance (PII) contracts issued to non-executive directors, which typically fall outside the scope of IFRS 17.

Amendments to SPFM

18. [The Scottish Government](#) has issued two Finance Guidance Notes (FGN) which update sections of the [Scottish Public Finance Manual \(SPFM\)](#).

19. [FGN 2025/4](#) expands the Major Investment projects section to provide guidance to clarify the purpose, scope and requirements of the Digital Portfolio. The update sets out the mandatory approach to be taken by relevant public bodies. This includes:

- the criteria for inclusion in the Digital Portfolio
- links to the portfolio processes and guidelines
- information on the Digital Portfolio Board.

20. [FGN 2025/5](#) amends the guidance and templates included in the AO Spend Control Process. The process is a temporary measure introduced as a result of the current challenging financial position.

21. For 2025/26, the process applies to:

- expenditure in excess of £5m
- any expenditure that is new or outside existing budgets and delivery plans, repurposes underspends, or is novel and/or contentious

22. The Spend Control template should be completed after financial appraisals have been made to ensure budgetary control and approval of expenditure.

5: College Sector

TGN on risks of material misstatement in 2024/25

23. I&Q has published Module 18 of the TGN 2025/1. The TGN is intended to inform auditors' judgement when identifying and assessing potential misstatements in the 2024/25 annual report and accounts of audited bodies generally. Module 18 provides:

- guidance on applying the other modules to the audit of the 2024/25 annual report and accounts of colleges
- supplementary guidance on the risks of misstatements in areas specific to colleges.

24. Module 18 is available with the rest of the TGN and supporting material to auditors on [SharePoint*](#) and is also freely available to download from the Audit Scotland [website](#).

25. Auditors are expected to pay due regard to Module 18 and use it as a primary reference source when performing 2024/25 audits of colleges. Auditors should advise I&Q of any intended departures from the guidance

Independent auditor's reports for college accounts in 2024/25

26. I&Q has published TGN 2025/6(C) to provide auditors with model forms of Independent Auditor's Reports (IAR) which should be used for the 2024/25 annual accounts of colleges in Scotland.

27. 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](#).

28. 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.

29. There are no significant changes to the previous guidance and model IARs.

2024/25 accounts direction and guidance

30. The [Scottish Funding Council \(SFC\)](#) has issued their [Accounts Direction for Scotland's Colleges 2024/25](#) and [guidance notes](#) on completion of the 2024/25 financial statements. The direction requires colleges to:

- comply with the SORP in preparing their financial statements
- include a Performance Report and Accountability Report in their annual report and accounts in accordance with the FReM.

31. Specific mandatory disclosure requirements for colleges are set out in Appendix 2 to the direction.

32. The guidance notes are designed to supplement the accounts direction and cover key disclosures in the financial statements, including model disclosure notes set out at Annexes A to F.

33. There are no significant changes to the accounts direction or guidance notes from 2023/24.

6. Fraud and irregularities

This chapter provides a synopsis of a statutory report from the Controller of Audit which highlighted weaknesses in internal control at the audited body.

Auditors should consider whether weaknesses in internal control which facilitated the fraud may exist in their bodies and take the appropriate action.

Invalid supplier

34. A third party impersonated a foreign supplier and committed bank mandate fraud. The public body paid £34,000 to a fraudulent bank account.

Key features

The public body received a mandate to amend an international supplier's bank account details. The mandate was signed by their key contact at the supplier. The bank details were amended and a payment made.

The key contact at the supplier had been impersonated and their signature was forged. The issue was identified when the supplier informed the public body that the payment had not been received.

The fraud was possible as automated bank checks cannot be carried out on international bank accounts. Phone call verification was not carried out for foreign suppliers due to time differences and/or language barriers.

The public body now require any amendments to international bank details to be verified by telephone or by Teams.

Payroll expenditure

35. An employee received £12,000 of salary to which they were not entitled.

Key features

A new employee received a contract and was paid for full time employment despite working part time as agreed with their manager.

The fraud was identified when the manager reported the employee's recent absence to HR.

The fraud was possible as the manager did not notify HR that the new employee would be working part time.

The body is currently reviewing its procedures.

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