

Technical Guidance Note 2026/2

2025/26 Independent Auditor's Reports



 AUDIT SCOTLAND

Prepared for appointed auditors in all sectors

20 March 2026

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Accessibility

Auditors can find out more and read this guidance using assistive technology on our website www.audit.scot/accessibility.

Introduction

Purpose and use of Technical Guidance Note

1. The purpose of this Technical Guidance Note (TGN) from Audit Scotland's Innovation and Quality (I&Q) is to provide external auditors appointed by the Auditor General for Scotland and the Accounts Commission with model forms of Independent Auditor's Reports (model IARs) for the 2025/26 annual audits. Appointed auditors are required by the Code of Audit Practice to prepare their IARs in compliance with this TGN.
2. The model IARs set out at Appendices 1 to 9 of this TGN comply with paragraph 50 of [ISA \(UK\) 700 Forming an Opinion and Reporting on Financial Statements](#) which sets out the minimum elements that the IAR is required to include. The model IARs are consistent with illustrative examples issued by the Financial Reporting Council but tailored to reflect public sector legislation and augmented by the reporting requirements of the Auditor General and the Accounts Commission.
3. This TGN also provides application guidance on the tailoring that requires to, or may, be made to the standard wording in the model IARs; these are in the form of Auditor Actions. Auditors should complete for each IAR the checklist at Appendix 11 which provides a list of those actions. It is important that auditors consult with I&Q on any proposed tailoring to the standard wording other than those explicitly set out in the application guidance.

Changes in 2025/26

4. As set out in the Guidance on Planning 2025/26 Annual Audits, this is the first year in which a combined TGN has been prepared covering the model IARs for all sectors. The following changes have been made to the guidance to reflect this change:

- terminology has been standardised to align the language used across sectors, for example using "Remuneration and Staff Report" instead of "Remuneration Report".
- where relevant, guidance that is specific only to certain sectors has been highlighted.
- to streamline the TGN, the appendices containing the model IARs, modifications to the model IARs and the auditor action checklist should now be accessed directly via the [Technical Reference Library](#) SharePoint site. Separate model IARs are provided for Audit Services Group and appointed Firms.

5. In addition to the above changes, from 2025/26 health board auditors will no longer be required to report by exception if there has been a failure to achieve a prescribed financial objective. Where a health board fails to meet a prescribed objective, auditors should consider reporting this within their Annual Audit Report.

Consulting with Innovation and Quality

6. Auditors should consult with I&Q on any proposed tailoring to the standard wording in the model IARs or any proposed modification of an opinion or conclusion by completing an [enquiry form](#) and emailing it to TechnicalQueries@audit-scotland.gov.uk.

1. Overview

Parts of model IARs

7. The parts that comprise the model IARs, and where application guidance is provided on each part, are summarised in the following table:

Part of model IAR	Guidance
Title	ISA (UK) 700 requires the auditor's report to have a title that clearly indicates that it is the report of an independent auditor. This TGN requires the title 'Independent Auditor's Report' to be used as this complies with that requirement and also clearly distinguishes it from other required reports, such as the Annual Audit Report.
Addressees	ISA (UK) 700 also requires the IAR to be addressed based on the circumstances of the audit appointment. The model IARs are therefore addressed to one of the following, depending on the sector: <ul style="list-style-type: none">• the members of the audited body, the Auditor General for Scotland and the Scottish Parliament (central government and health)• elected members (or trustees for a charity) and the Accounts Commission (local government)• the board of management, the Auditor General for Scotland and the Scottish Parliament (colleges).
Reporting on the audit of the financial statements	This part of the model IARs sets out: <ul style="list-style-type: none">• the titles of the financial statements that have been audited• a description of the applicable financial reporting framework• the auditor's opinion on the financial statements• a description of the basis for the above opinion• information on the period of audit appointment and any non-audit services• conclusions relating to the going concern basis of accounting• a statement that the most significant risks of material misstatement are reported in the Annual Audit Report• responsibilities of the Accountable Officer/s⁹⁵ Officer/board of management and auditors for the financial statements• an explanation of the extent to which the audit is considered capable of detecting irregularities including fraud. Guidance is provided in section 2 of this TGN.

Part of model IAR	Guidance
Reporting on regularity of expenditure and income	This part sets out the opinion on the regularity of expenditure and income. This part is not applicable to local government audits. Guidance is provided in section 3 of this TGN.
Reporting on other requirements - Remuneration and Staff Report	This part sets out the opinion on the audited parts of the Remuneration and Staff Report. Guidance is provided in section 4 of this TGN.
Reporting on other requirements – other information	This part sets out reporting on other information including the opinions on: <ul style="list-style-type: none"> the Performance Report and Governance Statement in the central government, health and college sectors the Management Commentary (or Trustees' Annual Report) and Annual Governance Statement in local government. Guidance is provided in section 5 of this TGN.
Reporting on other requirements - matters reported by exception	This part sets out the conclusions on matters reported by exception, such as the adequacy of accounting records. Guidance is provided in section 6 of this TGN.
Reporting on other requirements - wider scope responsibilities	This part highlights that auditors report conclusions on their wider scope responsibilities in the Annual Audit Report. For the avoidance of doubt, this paragraph applies to all bodies except for registered charities that fall under section 106(1b) of the Local Government (Scotland) Act 1973 (the 1973 Act).
Use of report	The model reports contain a paragraph to recognise the case of Royal Bank of Scotland v Bannerman Johnstone Maclay, which highlighted potential exposure where auditors have not expressly disclaimed responsibility to third parties.

Model IAR options

Auditor action 1

Auditors should use the correct model IAR that applies to the circumstances of the audited body.

8. Separate model IARs have been provided for the bodies/accounts set out in the following table:

Appendix Applicable bodies/accounts

Central government

1	Scottish Government consolidated accounts
2	Executive agencies, non-ministerial departments (including Revenue Scotland), Crown Office and Procurator Fiscal Service, Scottish Forestry, Forestry and Land Scotland, and Registers of Scotland
2A	Pension schemes
2B	Scottish Consolidated Fund Accounts
2C	Scottish Government Non-Domestic Rating Account
2D	King's and Lord Treasurer's Remembrancer
2E	Revenue Scotland Devolved Taxes Account
2F	Scottish Parliamentary Corporate Body
3	Non-departmental public bodies (NDPBs) and similar bodies such as Scottish Canals, commissioners and ombudsmen, national park authorities, lottery funds, Scottish Fire and Rescue Service, Scottish Road Works Commissioner, Scottish Police Authority and Scottish Water
3A	Charitable NDPBs
3B	NDPBs that are companies limited by guarantee, i.e. The Skills Development Scotland, Architecture and Design Scotland, Ferguson Marine, and Scottish National Investment Bank
4	Additional tailoring for group accounts in central government

Health

5	Health boards preparing group accounts
5A	Health boards preparing board-only accounts

Local government

6	Councils (except those meeting the definition of public interest entity) preparing group accounts
6A	Councils that meet the definition of a public interest entity
6B	Councils where group financial statements are not prepared and bodies to which section 106 the 1973 Act applies (e.g. valuation joint boards, joint committees, regional transport partnerships and integration joint boards)
7	Local government pension scheme pension funds administered by councils

Appendix Applicable bodies/accounts

8 Registered charities that fall under section 106(1b) of the 1973 Act prepared on an accrual basis

8A Registered charities that fall under section 106(1b) of the 1973 Act prepared on a receipts and payments basis

Colleges

9 Colleges preparing college-only accounts

9A Colleges preparing group accounts

Tailoring to local circumstances

Auditor action 2

Auditors should follow the standard wording in the relevant model IAR other than where tailoring is required to reflect local circumstances (e.g. adding the name of the body, reflecting whether the auditor is a firm or an individual, referring to applicable legislation, reflecting the inclusion of group financial statements, or other tailoring agreed with I&Q).

9. Auditors may tailor the standard wording in the model IARs (as indicated by the square brackets) to the extent set out in the following table:

Reason for tailoring	Applicable Sectors	Tailoring to standard wording in model IARs
Name of audited body	All sectors	Auditors should insert the name of the audited body. This should be consistent with what it calls itself in the annual accounts.
To reflect whether appointed auditor is an individual or firm	All sectors	Where the appointed auditor is a member of Audit Scotland staff, the reports should be presented in the first person singular (e.g. 'I am'). Firms should present the report in the first person plural (e.g. 'We are'). Tailored Word versions of the model IARs are available on the Model IAR page .
Applicable legislation	Central government	The applicable legislation under which the audit has been carried out and the accounts direction issued requires to be stated. In most cases, the central government model IARs already name that legislation, e.g. the Public Finance and Accountability (Scotland) Act 2000. In the case of NDPBs and similar bodies, the applicable legislation is the enabling Act (or in some cases Royal Charter) and will therefore be different for each body. Auditors should identify the applicable legislation and add it to the relevant paragraphs highlighted in the model IARs.

Reason for tailoring	Applicable Sectors	Tailoring to standard wording in model IARs
Group financial statements	Central government	The required additions to the standard wording in model IARs when a central government body prepares group financial statements are set out at Appendix 4.
Job title of proper officer	Local government	Auditors should insert the job title of the section 95 proper officer as used in the Statement of Responsibilities (e.g. Director of Finance).
More than one pension fund	Local government (pension funds)	List the name of each pension fund in the first two references. Replace subsequent references to 'fund' in the standard wording with 'funds'.
Pension fund has a group	Local government (pension funds)	Add references to the group using Appendix 6 as a guide.
More than one charity - connected charities provision used	Local government (s106 charities)	Insert the collective name for all the charities covered in the first two references. Replace subsequent references to 'charity' in the standard wording with 'charities'.
More than one charity - connected charities provisions not used	Local government (s106 charities)	Either: <ul style="list-style-type: none"> List the name of each charity in the document in the first two references; and Replace subsequent references to 'charity' in the standard wording with 'charities': or Prepare a separate report for each charity in the same document.
Regional board	College	References to charities legislation should be removed.
Other local tailoring	All sectors	If auditors consider that any other tailoring is appropriate to reflect local circumstances, they should consult with I&Q.

Signature and date

10. ISA (UK) 700 requires IARs to be signed and dated, and name the location of where the auditor practices:

Auditor action 3

The appointment lead should:

- sign the IAR on the authorised for issue date (or as close as possible thereafter) and date accordingly
- sign the IAR for and on behalf of the firm (firms only)

Auditor action 3

- give the full date and postal address.

Signing

11. The IAR is required to include the signature of the appointment lead. Auditors are encouraged to use a qualified electronic signature as explained in the [Guidance on Planning 2025/26 Annual Audits](#). Appointment leads should sign the IAR as set out in the following table:

Appointed auditor	Guidance on signing
Audit Scotland staff	The appointment lead (i.e. individual appointed as auditor) should sign the IAR in their own personal name.
Firm	<p>The appointment lead (i.e. the partner or other individual who is responsible for issuing the report) should sign the IAR 'for and on behalf of the firm' in their own personal name.</p> <p>The individual should not sign themselves as 'senior statutory auditor' as that is a Companies Act requirement that has not been applied to Scottish public sector audits.</p>

Dating

12. The date given in the IAR should be the date on which the appointment lead actually signs the report. The appointment lead should aim to sign the report on the date the annual accounts are signed by the Accountable Officer/s95 Officer/Principal (i.e. the authorised for issue date). Auditors should ensure they give the correct day, month and year of their signature, e.g. 30 September 2025.

13. There may be circumstances where the appointment lead cannot sign the IAR on the authorised for issue date. Where that is the case, auditors should note the following:

- The appointment lead should not sign the IAR earlier than the authorised for issue date.
- Where the appointment lead signs the IAR on a date later than the authorised for issue date, auditors should:
 - obtain assurance that those charged with governance would have approved the financial statements on that later date (e.g. by obtaining confirmation from the Accountable Officer/s95 Officer/Principal)
 - ensure that audit procedures for reviewing subsequent events cover the period up to that date.

Address

14. Auditors should state in the IAR the full postal address of their office.

Positioning of the IAR

Auditor action 4

Auditors should satisfy themselves that the IAR is appropriately positioned in the annual accounts.

15. For **central government bodies, health boards and colleges**, paragraph 6.5.54 of the FReM states that the Accountability Report should include the certificate and report of the Comptroller and Auditor General. This is the equivalent of the IAR used in Scotland, and therefore the requirement applies in principle.

16. However, auditors should encourage bodies to position the IAR in such a way that it is clear to users of the accounts that it is not covered by the Accountable Officer's signature on the Accountability Report.

17. Although there is no specific requirement regarding the positioning of the IAR for **local government bodies**, I&Q considers it to be good practice for it to appear either immediately before or after the financial statements.

18. Auditors are encouraged to discuss this matter with the proper officer/trustees and satisfy themselves that their report is positioned within the document so that it is given appropriate, but not undue, prominence

2. Reporting on audit of the financial statements

Opinion on financial statements

Auditors' responsibilities

19. The 'Reporting on the audit of the financial statements' part of the model IAR is where auditors list the titles of the financial statements they have audited and express an opinion on whether those financial statements:

- give a true and fair view of the state of the affairs of the body (and its group) as at 31 March 2025 and of the income and expenditure for the year then ended
- have been properly prepared in accordance with the financial reporting framework.

Titles of financial statements

Auditor action 5

Auditors should:

- encourage bodies to use the titles of the financial statements specific to the sector which the body operates in
- list the financial statements using the precise titles used by the body.

20. Auditors are required by ISA (UK) 700 to identify the title of each statement that comprises the financial statements. The financial statements illustrated in the model IARs are based on the requirements of, and titles specified by:

- the 2025/26 FReM for **central government bodies**.
- the 2025/26 FReM and 2025/26 NHS Boards Accounts Manual for the Annual Report and Accounts (the accounts manual) for **health boards**.
- the Code of Practice on Local Authority Accounting in the UK 2025/26 (the accounting code) for **local government bodies (excluding charities)**.
- charities legislation for **charities in local government**.
- the Statement of Recommended Practice – Accounting for Further and Higher Education 2019 (the SORP) for **colleges**.

21. Auditors should encourage bodies to use those titles. In the event that a body uses different titles or includes other statements, auditors should tailor the titles of the statements illustrated in the model IARs so they precisely match the statements and titles actually used by the body.

22. In **local government**, some councils present information on their trust funds and Common Good and their Expenditure and Funding Analysis as separate financial statements. Where this is the case, auditors should include them in the list of statements they have audited.

23. In previous years, I&Q has identified a number of instances where the titles used by auditors did not precisely match those used by the body, any difference may make it difficult for a user to clearly understand the statements that have been audited.

Modified opinion on financial statements

Auditor action 6

When auditors are considering modifying their opinion on the financial statements, they should consult with I&Q on the proposed modified opinion.

If auditors conclude that a modified opinion is appropriate, they should:

- modify the standard wording in the opinion and basis for opinion paragraphs
- include a description of the matter giving rise to the modification.

24. Auditors should evaluate whether there are any material misstatements in the financial statements in accordance with the guidance provided in [Technical Guidance Note 2026/1](#).

25. If auditors conclude that there is (or could be) an uncorrected material misstatement in the financial statements, they should express a modified opinion in accordance with [ISA \(UK\) 705 Modifications to the Opinion in the Independent Auditor's Report](#). ISA (UK) 705 establishes three types of modified opinions, i.e. a qualified, adverse, and a disclaimer of opinion.

26. There are two forms of qualified opinion. The following table summarises the circumstances in which each form would be appropriate:

Form of qualified opinion	Appropriate circumstances
Material misstatement	Auditors conclude that misstatements are material (but not pervasive) to the financial statements
Inability to obtain evidence (i.e. limitation on the scope of the audit)	Auditors are unable to obtain sufficient appropriate audit evidence on which to base the opinion, but conclude that the possible effects on the financial statements of undetected misstatements could be material but not pervasive

27. The modifications required to the standard wording in the model IARs where auditors express a qualified opinion are set out at Appendix 10 section 1 (material misstatement) and section 2 (limitation of audit scope).

28. The other types of modified opinion are not expected in practice but are briefly summarised in the following table for completeness:

Type	Appropriate when
Adverse opinion	Auditors conclude that material misstatements have a pervasive effect on the financial statements
Disclaimer of opinion	Auditors are unable to obtain sufficient appropriate audit evidence on which to base the opinion, and they conclude that the possible effects on the financial statements of undetected misstatements could be both material and pervasive

29. Pervasive effects are those that:

- are not confined to specific items
- represent a substantial proportion of the financial statements; or
- are fundamental to users' understanding.

30. Auditors should consult with I&Q on the subject matter of the qualified opinion, and share the proposed modifications to the model IAR.

Information on appointments and non-audit services

Auditor action 7

Auditors should in the basis for opinion paragraph:

- insert the date of their appointment letter
 - report any non-audit services not disclosed elsewhere.
-

31. Where indicated in the basis for opinion paragraph, auditors should:

- add the date of their appointment letter
- report any non-audit services which were provided to the body that have not been disclosed elsewhere in the annual report and accounts.

32. The above is based on the requirements in ISA (UK) 700 for public interest entities (PIE). For the avoidance of doubt, although they do not meet the legislative definition for a PIE, the Auditor General and the Accounts Commission have applied these requirements to the audit of all Scottish public sector bodies, except registered charities that fall under section 106(1b) of the 1973 Act.

33. In the small number of cases where audit appointments in 2022/23 did not change, or appointments have changed in 2025/26, auditors should amend the model IAR as set out at section 3 of Appendix 10.

Conclusions relating to going concern basis of accounting

Auditors' responsibilities

34. ISA (UK) 700 requires auditors to report in accordance with [ISA \(UK\) 570](#) in respect of going concern. This requires auditors to conclude:

- on the appropriateness of the body's use of the going concern basis of accounting
- whether a material uncertainty exists about the body's ability to continue to adopt the going concern basis of accounting.

Matter to be reported

Auditor action 8

Where auditors are considering whether there may be a matter to report in respect of the use of the going concern basis of accounting, auditors should consult with I&Q.

35. Guidance on using the going concern basis of accounting is provided at section 2 of the Overview Module of [Technical Guidance Note 2026/1](#). While an audited body may face financial sustainability issues, it is highly unlikely that there will be a material uncertainty regarding the use of the going concern basis of accounting for a continuing body or that it would not be considered appropriate.

36. A matter may require to be reported if a body's functions are being discontinued and the body is not being wound up in an orderly manner. In the rare event of a going concern matter requiring to be reported, after consultation with I&Q, the auditor's reporting options are summarised in the following table:

Matter to be reported	Reporting
Going concern basis of accounting inappropriate	Adverse opinion on financial statements
Material uncertainty exists and adequately disclosed	No modification to opinion Change the heading to 'Material uncertainty related to going concern' and draw attention to the disclosure
Material uncertainty exists but not adequately disclosed	Qualified or possibly adverse opinion on financial statements

Explanation of extent audit is capable of detecting irregularities

Auditor action 9

Where auditors are considering whether tailoring is required to the standard wording for the explanation of extent that the audit is capable of detecting irregularities, auditors should consult with I&Q.

37. In accordance with paragraph 29-1 of ISA (UK) 700, the model IARs explain the extent to which the audit is considered capable of detecting irregularities, including fraud (i.e. the second, third and fourth paragraphs in the 'Auditor's responsibilities for the audit of the financial statements' section). Paragraph A39-2 of ISA (UK) 700 states that it may be useful if the required explanation related to the specific circumstances of the body, rather than being expressed in standardised language. While acknowledging that guidance, I&Q's view is that it predominantly has the private sector context in mind, and that standard wording is generally appropriate for audited bodies due to the common statutory framework that exists in each sector.

38. However, I&Q permits auditors to tailor the standard wording, where they consider it necessary to be more specific about the circumstances of a particular audited body. Auditors should avoid excessive detail in the explanation which may obscure important points of principle.

39. Where an auditor considers that tailoring of the standard wording is required, they should consult with I&Q. Auditors should demonstrate that any proposed tailoring is necessary in order to be more specific about the circumstances of a particular audited body.

3. Reporting on regularity of expenditure and income

Auditors' responsibilities

40. The 'Reporting on regularity of expenditure and income' part of the IAR is where auditors express an opinion on whether in all material respects, expenditure was incurred and income applied in accordance with applicable enactments and guidance issued by the Scottish Ministers.

41. Reporting on regularity of expenditure and income is required for audits in the central government, health and college sectors only. The remainder of this chapter is therefore not applicable to **local government bodies**.

Qualified opinion on regularity

Auditor action 10

When auditors are considering qualifying their opinion on regularity, they should consult with I&Q on the proposed qualified opinion.

If auditors conclude that a qualified opinion is appropriate, auditors should:

- modify the standard wording of the opinion paragraph
- add a basis for qualified opinion paragraph
- provide a description of the matter giving rise to the qualified opinion.

42. Auditors should evaluate whether there are any material irregularities in the financial statements in accordance with the guidance provided in Module 12 of [Technical Guidance Note 2026/1](#).

43. If auditors conclude that there is an uncorrected material irregularity in the financial statements, they should express a qualified opinion. Auditors should modify the standard wording in the model IAR as set out at section 4 of Appendix 10.

44. Auditors should consult with I&Q on the subject matter of the qualified opinion, including sharing the proposed modifications to the model IAR.

4. Opinion on audited parts of Remuneration and Staff Report

Auditors' responsibilities

45. Auditors are required by the Auditor General and the Accounts Commission to express an opinion on whether the audited parts of the Remuneration and Staff Report have been properly prepared.

Title of report

Auditor action 11

Auditors should:

- encourage bodies to use the correct report title, as follows:
 - Remuneration and Staff Report for **central government bodies, health boards and colleges**
 - Remuneration Report for **local government bodies**
 - use the precise title of the report used by the audited body.
-

46. The title of the report used in the model IARs reflects the title used by the 2025/26 FReM or The Local Authority Accounts (Scotland) Regulations 2014 (the accounts regulations).

47. Auditors should encourage bodies to use the relevant title but in the event that a body uses a different title, auditors should tailor the title in the model IAR to be consistent.

Identifying audited parts of Remuneration and Staff Report

Auditor action 12

Auditors should:

- evaluate whether the body has correctly and clearly identified the parts of the Remuneration and Staff Report that are audited
 - request that the body makes any rectifications that are identified
 - where necessary, identify in the IAR the parts of the Remuneration and Staff Report that are audited.
-

48. In accordance with paragraph 6.2.1 of the FReM (for **central government, health and colleges**) and paragraph 5 of [Finance Circular 8/2011](#) (for **local government**) bodies are required to correctly and clearly identify the parts of the Remuneration and Staff Report that are audited.

49. Module 10 of [Technical Guidance Note 2025/1](#) sets out the relevant parts of the Remuneration and Staff Report that are audited. Auditors are advised to evaluate whether

bodies have correctly and clearly identified the parts that are subject to audit, and request any rectifications that are required. This is consistent with paragraph A60-7 of ISA (UK) 700 which requires auditors to ensure that the audited parts are clearly distinguished from the unaudited parts.

50. Where the necessary rectifications are not made, and therefore the body's disclosures do not clearly distinguish the audited parts from the unaudited parts, auditors should (as required by paragraph A60-9 of ISA (UK) 700) identify the parts that have been audited in the IAR.

Qualified opinion on Remuneration and Staff Report

Auditor action 13

When auditors are considering qualifying their opinion on the Remuneration and Staff Report, they should consult with I&Q on the proposed qualified opinion.

If auditors conclude that a qualified opinion is appropriate, auditors should:

- modify the standard wording of the opinion paragraph
 - add a basis for qualified opinion paragraph
 - provide a description of the matter giving rise to the qualified opinion.
-

51. Auditors should evaluate whether there are any material misstatements in the audited parts of the Remuneration and Staff Report in accordance with the guidance provided in Module 10 of [Technical Guidance Note 2026/1](#). If auditors conclude that there is an uncorrected material misstatement, they should express a qualified opinion. Auditors should modify the standard wording in the model IAR as set out at section 5 of Appendix 10.

52. Auditors should consult with I&Q on the subject matter of the qualified opinion, including sharing the proposed modifications to the model IAR.

5. Reporting on other information

Auditors' responsibilities

53. ISA (UK) 700 requires auditors to report in accordance with [ISA \(UK\) 720](#) in respect of other information in the annual report and accounts.

54. In **central government bodies, health boards and colleges**, other information should generally comprise the Performance Report and the Accountability Report (excluding the audited parts of the Remuneration and Staff Report).

55. In **local government bodies**, other information should comprise the items required by Regulation 8(2) of the accounts regulations which are not audited (i.e. the Management Commentary, Annual Governance Statement, Statement of Responsibilities and unaudited parts of the Remuneration Report). For a **pension fund**, it also includes a Governance Compliance Statement. For a **charity**, it should comprise the Trustees' Annual Report.

56. ISA (UK) 720 requires auditors to report:

- either a description of any material misstatements in the other information or a statement that there is nothing to report
 - a conclusion where there is a specific requirement to report on any other information.
- In **central government, health and colleges**, this applies to the opinions prescribed by the Auditor General as to whether the Performance Report and Governance Statement are consistent with the financial statements and have been properly prepared.
 - In **local government**, this applies to the opinions prescribed by the Accounts Commission as to whether the Management Commentary and Annual Governance Statement/Governance Compliance Statement (or Trustees' Annual Report for a charity) are consistent with the financial statements and have been properly prepared.

Titles of reports

Auditor action 14

Auditors should:

- encourage the body to use the titles specified by the FReM or accounts regulations
- use the precise titles of the reports used by the body
- encourage the body to locate any voluntary information within the specified structure.

57. The titles of the reports used in the model IARs reflect the titles specified by the 2025/26 FReM or accounts regulations. Auditors should encourage bodies to use the

specified titles but in the event that a body uses different titles, auditors should tailor the titles in the model IAR to be consistent.

58. If a body provides voluntary information in the form of a report (e.g. a Chair's Statement, Principal's Statement or Foreword) outside the required main reports containing other information, auditors should encourage bodies to relocate it within one of those reports. As a minimum, the voluntary report should be incorporated by a clear cross-reference in the appropriate report (e.g. A statement within the Performance Report that states "The Chair's Statement on page x forms part of this Performance Report").

59. In the absence of a cross-reference, auditors should tailor the model IAR to include the voluntary reports. This can either be done by naming the report if that can be done concisely or, in more complex situations, adding the wording set out at section 6A of Appendix 10.

Material misstatement to report

Auditor action 15

When auditors are considering whether there is a material misstatement in the other information, they should consult with I&Q.

If auditors conclude that there is an uncorrected material misstatement in the other information, they should describe the misstatement in the Independent Auditor's Report.

60. Auditors should evaluate whether there are any material misstatements in the other information in accordance with the guidance provided in Module 11 of [Technical Guidance Note 2026/1](#).

61. Where auditors conclude that there is an uncorrected material misstatement in the other information, they should amend the model IAR as set out at section 6B of Appendix 10.

62. Auditors should consult with I&Q on the subject matter of the misstatement, including sharing the proposed amendments to the model IAR.

Qualified opinion on Other Information

Auditor action 16

When auditors are considering qualifying their opinion on the:

- Performance Report or Governance Statement (for **central government bodies, health boards and colleges**);
- Management Commentary or Annual Governance Statement/Governance Compliance Statement (for **local government bodies**); or
- Trustees' Annual Report (for **charities**),

they should consult with I&Q on the proposed qualified opinion.

If auditors conclude that a qualified opinion is appropriate, auditors should:

- modify the standard wording of the opinion paragraph
 - add a basis for qualified opinion paragraph
 - provide a description of the matter giving rise to the qualified opinion.
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63. Auditors should evaluate whether a qualified opinion in respect of the other information is appropriate in accordance with the guidance provided in Module 11 and Modules 13-18 of [Technical Guidance Note 2026/1](#), as applicable to the sector.

64. Where auditors conclude that a qualified opinion is appropriate, they should modify the standard wording in the model IAR as set out at Section 6B of Appendix 10. Auditors should consult with I&Q on the subject matter of the qualified opinion, including sharing the proposed modifications to the model IAR.

65. Public sector bodies are not required to report compliance with the UK Corporate Governance Code. Additional reporting requirements under ISAs (UK) 701 and 720 apply for bodies that report compliance with the UK Corporate Governance Code. Auditors should ensure that the additional reporting requirements are met if they are triggered by any audited body making a reference in the Governance Statement to compliance with that code.

6. Matters reported by exception

Auditors' responsibilities

66. Where auditors are required to report on certain matters (but positive assurance is not required), ISA (UK) 700 treats them as matters reported by exception. The Auditor General and the Accounts Commission require auditors of public sector bodies to report by exception (and charities regulations contain equivalent requirements) if:

- adequate accounting records have not been kept
- the financial statements or the audited parts of the Remuneration and Staff Report are not in agreement with the accounting records
- they have not received all the information and explanations required for the audit.

67. Auditors report on these matters in the 'Matters reported on by exception' part of the IAR. The model IARs describe auditors' responsibilities for such matters, and incorporate a suitable conclusion (rather than opinion).

68. As a change in 2025/26, health board auditors are no longer required to report by exception if there has been a failure to achieve a prescribed financial objective. Where a health board fails to meet a prescribed objective, auditors should consider reporting this within their Annual Audit Report.

Accounting records

Auditor action 17

Auditors should evaluate and conclude on whether:

- the body has kept adequate accounting records throughout the year
- the financial statements and the audited parts of the Remuneration and Staff Report are in agreement with the accounting records.

69. The accounting records contain details of the body's transactions, assets and liabilities. They should be an orderly, classified collection of information capable of timely retrieval, so as to enable a trial balance to be constructed. They may comprise:

- the financial ledger
- supporting records, such as documentation for electronic fund transfers; invoices; contracts; journal entries and other adjustments to the financial statements
- other working papers such as spreadsheets supporting cost allocations, reconciliations and disclosures.

70. Auditors should consider accounting records to be adequate if they are sufficient to:

- show and explain the body's transactions

- disclose with reasonable accuracy, at any time during the year, the financial position of the body
- enable the Accountable Officer/s95 Officer/board of management to ensure that any accounts required to be prepared comply with statutory requirements.

71. There is a distinction between the accounting records and the accounting control system. If auditors find weaknesses relating to the accounting control system rather than the accounting records, they can still conclude that adequate accounting records have been kept. Bodies should report the weaknesses in the accounting control system, where significant, in the Governance Statement.

Required information and explanations

Auditor action 18

Auditors should evaluate and conclude on whether they have received all the information and explanations required for the audit.

Modified conclusion

Auditor action 19

When auditors are considering modifying their conclusion on a matter reported by exception, they should consult with I&Q on the proposed modified conclusion.

Where a modified conclusion is appropriate, auditors should:

- modify the standard wording in the model IAR
 - provide a description of the matter giving rise to the modification.
-

72. Where auditors express a modified opinion as a result of a limitation of the scope of the audit, they should also consider the impact on the matters reported by exception. For example, if auditors have been unable to obtain sufficient appropriate evidence in respect of a material matter in the financial statements, they may not be able to determine whether adequate accounting records have been maintained (or indeed may conclude that they have not been maintained) and may conclude that they have not received all the information and explanations required for the audit.

73. Where auditors conclude that a modified conclusion is appropriate, they should modify the standard wording in the model IAR as set out at Section 7 of Appendix 10.

74. Auditors should consult with I&Q on the subject matter of the modified conclusion, including sharing the proposed modifications to the model IAR.

7.Emphasis of Matter/Other Matter paragraphs

Auditors' responsibilities

75. [ISA \(UK\) 706](#) deals with Emphasis of Matter and Other Matter paragraphs in the IAR. These paragraphs are added to the model IARs when auditors consider it necessary to draw users' attention to:

- matters that are fundamental to understanding the financial statements (Emphasis of Matter)
- relevant to understanding the audit (Other Matter).

Matter to be reported

Auditor action 20

When auditors are considering whether it is necessary to draw attention to certain matters under ISA (UK) 706, they should consult with I&Q.

If auditors conclude that they should draw attention to such matters, they should include an Emphasis of Matter or Other Matter paragraph in accordance with ISA (UK) 706.

76. ISA (UK) 706 specifies criteria for when an Emphasis of Matter paragraph is appropriate, and is clear that widespread use would diminish their effectiveness. Auditors should consider carefully whether all the criteria are fully met and should not use an Emphasis of Matter paragraph unless that is the case. The criteria are summarised in the following table:

Criteria	Considerations
The matter must be appropriately presented or disclosed in the financial statements	<p>An Emphasis of Matter paragraph is not a substitute for disclosures in the financial statements that the body is required to make.</p> <p>Auditors should evaluate whether the explanation or description of the matter disclosed by the body is clear and accurate.</p>
The matter must be of such importance that it is fundamental to users' understanding of the financial statements	<p>Auditors should consider whether the matter is essential to understanding the financial statements. ISA (UK) 706 gives the following examples:</p> <ul style="list-style-type: none">• An uncertainty relating to the future outcome of exceptional litigation or regulatory action.• A significant subsequent event that occurs between the date of the financial statements and the date of the IAR.• Early application of a new accounting standard that has a material effect on the financial statements.

Criteria	Considerations
	<ul style="list-style-type: none"> A major catastrophe that has a significant effect on the body's financial position. <p>In recent years, auditors have included an Emphasis of Matter paragraph where a valuer has declared a Material Valuation Uncertainty.</p>
A modified opinion in respect of the matter is not required	An Emphasis of Matter paragraph is not a substitute for a modified opinion.

77. An Emphasis of Matter paragraph should be included in a separate section of the IAR. The placement depends on the nature of the information to be communicated, and the auditor's judgment as to its relative significance. The paragraph should have an appropriate heading that includes the term 'Emphasis of Matter'.

78. An Emphasis of Matter paragraph should simply draw attention to where the matter is described in the financial statements. Auditors should therefore not attempt to describe the matter. It is important to be clear that the auditor's opinion on the financial statements is not modified in respect of the matter emphasised. The paragraph should take the form set out at section 8 of Appendix 10.

79. An Other Matter paragraph is used to refer to a matter other than those presented or disclosed in the financial statements that are relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report. The use of such a paragraph in the public sector is extremely rare.

80. Auditors should consult with I&Q on the subject matter of the paragraph, including sharing the proposed addition to the model IAR.

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Appendix 10

2025/26 Model Independent Auditor's Reports



 AUDIT SCOTLAND

Prepared for appointed auditors in all sectors

5 March 2026

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Appendix 10 Qualified opinions and conclusions and other amendments

1. Opinion on financial statements – material misstatement

Qualified opinion on financial statements

[No change to first paragraph.]

In [my/our] opinion, except for the effects of the matter described in the basis for qualified opinion paragraph, the accompanying financial statements:

- *[No change to three bullets].*

Basis for qualified opinion

[Add a new paragraph describing the matter resulting in the qualified opinion. This should include:

- *quantification of the financial effects of the misstatement (or a statement that quantification is impracticable)*
- *where the matter relates to narrative disclosures, an explanation of how the notes are misstated*
- *where the matter relates to non-disclosure of required information, the nature of the omitted information and (unless impracticable) the omitted disclosures.]*

[No change in existing paragraph until last sentence as follows]. [I/We] believe that the audit evidence [I/we] have obtained is sufficient and appropriate to provide a basis for [my/our] qualified opinion.

2. Opinion on financial statements – limitation of audit scope

Qualified opinion on financial statements

[No change to first paragraph.]

In [my/our] opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the accompanying financial statements:

- *[No change to three bullets].*

Basis for qualified opinion

[Add a new paragraph describing the reasons for the inability to obtain sufficient appropriate audit evidence]

[No change in existing paragraph until last sentence as follows]. [I/We] believe that the audit evidence [I/we] have obtained is sufficient and appropriate to provide a basis for [my/our] qualified opinion.

3. Period of appointment

3A

Continuation of appointment

[No change to start of paragraph]. [I was/We were] appointed by the [Auditor General/Accounts Commission] on [insert date of appointment letter]. [My/Our] period of appointment is five years, covering 2022/23 to 2026/27. Including a previous appointment, the period of total uninterrupted appointment will be [insert total number] years. [No change to remainder of paragraph].

3B

New appointment from 2025/26

[No change to start of paragraph]. [I was/We were] appointed by the [Auditor General/Accounts Commission] on [insert date of appointment letter]. [My/Our] period of appointment is two years, covering 2025/26 and 2026/27. [No change to remainder of paragraph].

4. Regularity (not applicable to local government audits)

Qualified opinion on regularity

In [my/our] opinion, except for the effects of the matter described in the basis for qualified opinion on regularity paragraph, in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Basis for qualified opinion on regularity

[Provide a concise description of the matter giving rise to the qualified opinion]. [I/We] believe that the audit evidence [I/we] have obtained is sufficient and appropriate to provide a basis for [my/our] qualified opinion.

Responsibilities for regularity

[No change to responsibilities paragraph]

5. Remuneration and staff report

5A – Central government, health boards and colleges

Qualified opinion on matter prescribed by the Auditor General for Scotland on audited parts of the Remuneration and Staff Report

[I/We] have audited the parts of the Remuneration and Staff Report described as audited. In [my/our] opinion, except for the effects of the matter described in the basis for qualified opinion paragraph on the Remuneration and Staff Report paragraph, the audited parts of the Remuneration and Staff Report have been

properly prepared in accordance with the [applicable legislation] and directions made thereunder by the [Scottish Ministers/Scottish Funding Council].

Basis for qualified opinion on the Remuneration and Staff Report

[Provide a concise description of the matter giving rise to the qualified opinion].
[I/We] believe that the audit evidence [I/we] have obtained is sufficient and appropriate to provide a basis for [my/our] qualified opinion.

5A – Local government

Qualified opinion on matter prescribed by the Accounts Commission on the audited parts of the Remuneration Report

[I/We] have audited the parts of the Remuneration Report described as audited. In [my/our] opinion, except for the effects of the matter described in the basis for qualified opinion paragraph on the Remuneration Report paragraph, the audited parts of the Remuneration Report have been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

Basis for qualified opinion on the Remuneration Report

[Provide a concise description of the matter giving rise to the qualified opinion]

6. Other information

6A

Other information

[No change in first paragraph until the second sentence which should have the following added on].

...and other reports included in the [annual report and accounts/annual accounts] other than the financial statements and [my/our] auditor's report thereon.

6B

Other information

[No change in first paragraph]

[No change in the second paragraph until the last sentence which is replaced as follows]. ~~[I/We] have nothing to report in this regard.~~ [Provide a description of the material misstatement in other information].

[No change in third paragraph]

(i) Central government, health and colleges

Qualified opinions on matter prescribed by the Auditor General for Scotland on Performance Report and Governance Statement

In [my/our] opinion, except for the effects of the matter described in the basis for qualified opinion on the Performance Report (and/or Governance Statement) paragraph based on the work undertaken in the course of the audit:

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the [relevant legislation] and directions made thereunder by the [Scottish Ministers/Scottish Funding Council]; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the [relevant legislation] and directions made thereunder by the [Scottish Ministers/Scottish Funding Council].

Basis for qualified opinion on Performance Report [and/or Governance Statement]

[Provide a concise description of the matter giving rise to the qualified opinion]

(ii) Local government

Qualified opinions on matter prescribed by the Accounts Commission on the Management Commentary and Annual Governance Statement

In [my/our] opinion, except for the effects of the matter described in the basis for qualified opinion on the Management Commentary (and/or Annual Governance Statement) paragraph based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Basis for qualified opinion on the Management Commentary [and/or Annual Governance Statement]

[Provide a concise description of the matter giving rise to the qualified opinion]

7. Matter reported by exception

Matters on which [I am/we are] required to report by exception

[I am/We are] required by the [Auditor General for Scotland/Accounts Commission] to report to you if, in [my/our] opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited parts of the [Remuneration and Staff Report/Remuneration Report] are not in agreement with the accounting records; or
- [I/we] have not received all the information and explanations [I/we] require for [my/our] audit; or

[I/We] have ~~nothing~~ the following to report in respect of these matters.

[Provide a concise description of the matter being reported]. [I/We] have nothing to report in respect of the other matters.

8. Emphasis of Matter paragraph

Emphasis of matter: [provide a specific heading]

[I/We] draw attention to [provide a clear reference to the matter being emphasised and to where relevant disclosures that fully describe the matter can be found in the financial statements]. [My/Our] opinion is not modified in respect of this matter.

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Appendix 10

2025/26 Independent Auditor's Reports

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Appendix 11

2025/26 Model Independent Auditor's Reports



 AUDIT SCOTLAND

Prepared for appointed auditors in all sectors

5 March 2026

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Appendix 11 Auditor action checklist

Question	Yes/No/N/A	Initials/date	W/P ref
<p>1 Have you used the correct model IAR that applies to the audited body?</p>			
<p>2 Have you followed the wording in the relevant model IAR other than where tailoring is required to reflect local circumstances, e.g. have you:</p> <ul style="list-style-type: none"> • named the body consistently with what it calls itself? • used the singular person for Audit Scotland staff and plural for firms? • added the applicable legislation for NDPBs and similar bodies • added appropriate references to the group where applicable (i.e. in central government bodies and pension funds) • included the job title of the s95 proper officer (in local government) • considered whether any other tailoring to the standard wording is appropriate and consulted with I&Q? 			
<p>3 Have you ensured that the IAR has been signed:</p> <ul style="list-style-type: none"> • by the appointment lead? • on the authorised for issue date (or as close as possible thereafter)? • 'for and on behalf of the firm' (firms only)? <p>Does the IAR state the correct postal address?</p>			
<p>4 Have you satisfied yourself that the IAR is appropriately located within the annual report and accounts?</p>			
<p>5 Have you:</p> <ul style="list-style-type: none"> • encouraged the body to use the titles of the financial statements specified by the FReM/accounts regulations 			

Question	Yes/No/N/A	Initials/date	W/P ref
<ul style="list-style-type: none"> listed the financial statements using the precise titles used by the body? 			
<p>6 Have you:</p> <ul style="list-style-type: none"> consulted with I&Q on any proposed modifications to the audit opinion on the financial statements? made the modifications set out in the application guidance? 			
<p>7 Have you in the basis for opinion paragraph:</p> <ul style="list-style-type: none"> inserted the date of your appointment letter? reported any non-audit services not disclosed elsewhere? 			
<p>8 Where considering whether there may be a matter to report on using the going concern basis of accounting, have you consulted with I&Q?</p>			
<p>9 Where considering whether tailoring is required to the standard wording for the explanation of extent that the audit is capable of detecting irregularities, have you consulted with I&Q?</p>			
<p>10 Have you:</p> <ul style="list-style-type: none"> consulted with I&Q on a proposed qualified opinion on regularity (not applicable in local government) made the modifications set out in the application guidance? 			
<p>11 Have you:</p> <ul style="list-style-type: none"> encouraged the body to use the title: <ul style="list-style-type: none"> Remuneration and Staff Report for central government bodies, health boards and colleges? Remuneration Report for local government bodies? used the precise title of the report used by the body? 			
<p>12 Have you:</p>			

Question	Yes/No/N/A	Initials/date	W/P ref
<ul style="list-style-type: none"> • evaluated whether the body has correctly and clearly identified the parts of the Remuneration and Staff Report that are audited? • requested that the body makes any rectifications that are identified • where necessary, identified in the IAR the parts of the Remuneration and Staff Report that are audited? 			
<p>13 Have you:</p> <ul style="list-style-type: none"> • consulted with I&Q on a proposed qualified opinion on the audited parts of the Remuneration and Staff Report • made the modifications set out in the application guidance? 			
<p>14 Have you:</p> <ul style="list-style-type: none"> • encouraged the body to use the titles specified by the FReM/accounts regulations • used the precise titles of the reports used by the body • encouraged the body to locate any voluntary information within the specified structure? 			
<p>15 Have you:</p> <ul style="list-style-type: none"> • consulted with I&Q on any proposed reporting of material misstatements in other information • made the appropriate amendments? 			
<p>16 Have you:</p> <ul style="list-style-type: none"> • consulted with I&Q on a proposed qualified opinion on the: <ul style="list-style-type: none"> – Performance Report or Governance Statement for central government bodies, health boards or colleges? – Management Commentary or Annual Governance Statement/Governance Compliance Statement (or Trustees' Annual Report) for local government bodies? • made the modifications set out in the application guidance? 			

Question	Yes/No/N/A	Initials/date	W/P ref
<p>17 Have you evaluated and concluded on whether:</p> <ul style="list-style-type: none"> • the body has kept adequate accounting records throughout the year? • the financial statements and the audited parts of the Remuneration and Staff Report are in agreement with the accounting records? 			
<p>18 Have you evaluated and concluded on whether you have received all the information and explanations required for the audit?</p>			
<p>19 Have you:</p> <ul style="list-style-type: none"> • consulted with I&Q on any proposed modifications to conclusions on a matter reported by exception • made the modifications set out in the application guidance? 			
<p>20 Have you:</p> <ul style="list-style-type: none"> • considered whether it is necessary to draw attention to certain matters under ISA (UK) 706 • consulted with I&Q on any such matters • made the amendments set out in the application guidance? 			

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