



# **Auditor assurance on 2015/16 whole of government accounts returns (central government)**

## **Technical guidance note 2016/7(CG)**

 **AUDIT SCOTLAND**

Prepared by the Technical Services Unit  
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Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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# Foreword

Technical guidance notes are prepared by Audit Scotland's Technical Services Unit (TSU) to provide external auditors appointed by the Accounts Commission and Auditor General for Scotland with guidance on particular subjects or themes relevant to their audit appointment. They cover auditors' responsibilities to audit the annual accounts, and review returns for whole of government accounts and local authority grant claims.

Technical guidance notes are available to external auditors from Audit Scotland's *Technical reference library*, and are also published on the Audit Scotland website so that audited bodies and other stakeholders can access them.

This particular type of technical guidance note is approved by the Assistant Auditor General and provides guidance on reviewing whole of government accounts returns.

While auditors act independently, and are responsible for their own conclusions and opinions, the TSU has a role in ensuring that those conclusions and opinions are reached on the basis of informed judgement. Consistency in similar circumstances is important and **the Code of audit practice therefore states that auditors should follow TSU guidance**. Auditors should advise the TSU promptly if they intend not to follow any guidance provided in this technical guidance note.

Audit Scotland makes no representation as to the completeness or accuracy of the contents of technical guidance notes or that legal or technical guidance is correct. Points of law, in particular, can ultimately be decided only by the Courts. Audit Scotland accepts no responsibility for any loss or damage caused as a result of any person relying upon anything contained in this note.

# Overview

Key points on this return		
<b>Description of return</b>		
<p>Whole of government accounts (WGA) is the consolidated financial statements for all components of government in the UK. Most public bodies are required to provide information for the preparation of WGA. External auditors are required to review and provide assurance on WGA returns over a prescribed threshold.</p>		
Return reference	Deadline to auditors	Auditor submission deadline
WGA 2015/16	26 August 2016	30 September 2016
<b>Risk areas</b>		
1	Inconsistent classification between the financial statements and the data collection tool.	
2	Transactions and balances are inconsistently reported compared to the prior year.	
3	Incomplete or incorrect elimination of intra-government transactions.	
<b>Email address for submission</b>		
<a href="mailto:wgareturns@nao.gsi.gov.uk">wgareturns@nao.gsi.gov.uk</a>		
Publication date and relevant year	TSU contact points	
26 July 2016 for 2015/16 returns	Paul O'Brien ( <a href="mailto:pobrien@audit-scotland.gov.uk">pobrien@audit-scotland.gov.uk</a> or 0131 625 1795) Neil Cameron ( <a href="mailto:ncameron@audit-scotland.gov.uk">ncameron@audit-scotland.gov.uk</a> or 0131 625 1797)	

# 1 Introduction

## Auditor assurance requirement

1. External auditors are required by the *Code of audit practice* to review and report on whole of government accounts (WGA) returns prepared by audited bodies. Auditors are required to report the results of their review to the National Audit Office (NAO) in an assurance statement. The review and reporting process performed by auditors is therefore described as auditor assurance.
2. The NAO is the group auditor for WGA and is responsible for the overall audit approach which is set out in their *Group audit instructions*. Auditors are providing assurance on the WGA returns to the NAO. Auditors should not seek, and the NAO will not enter into, any 'hold harmless' arrangements that may limit the level of assurance provided.
3. The NAO, has prescribed a threshold for auditor assurance. For 2015/16, auditor review and reporting is required where either gross assets (excluding property, plant and equipment, heritage assets, intangibles, investment properties, and assets held for sale), or gross liabilities (excluding pension liabilities), or gross income or gross expenditure is above £350 million.
4. No review is required for bodies below the threshold but auditors are required to complete the first section of the assurance statement and submit it to the NAO (other than for minor bodies).

## Purpose of technical guidance note

5. This technical guidance note has been prepared by the TSU to provide guidance on auditor assurance on the 2015/16 WGA returns of central government bodies. The approach set out in this technical guidance note has been agreed with the NAO and is based on their *Group audit instructions*. A separate technical guidance note has been prepared for local authorities.
6. Testing and other procedures that auditors are required to undertake in respect of providing assurance to the NAO on 2015/16 WGA returns above the threshold is included throughout this note and summarised in Appendix 1. Although this note provides an overview of the process for preparing WGA returns, it may still be necessary for auditors to refer to the source material on which this note is based for points of detail (see Appendix 2).

## Changes for 2015/16

7. The most significant changes in the content of this technical guidance note compared with 2014/15 are as follows
  - A new planning procedure to consider matters identified in previous years.
  - A new fieldwork test on thresholds for reporting balances and transactions with other bodies.

- A new optional fieldwork test on the matches report.

## Preparation and auditor assurance overview

8. The return used to collect WGA data is an Excel document known as the data collection tool (DCT). The preparation of the DCTs and provision of auditor assurance is an eight step process undertaken using the 'Instruction' worksheet in the DCT.
9. An overview of the preparation process is provided at section 2 of this technical guidance note and can be summarised as follows
  - Steps 1 to 3 involve data input and validation of the DCTs.
  - At step 4 the body 'locks' the DCT which is submitted by 26 August to auditors and to the Scottish Government.
10. An overview of the auditor assurance process for bodies over the threshold is provided at section 3 and can be summarised as follows
  - Auditors unlock the DCT by clicking the step 5 button and entering a password. Auditors then carry out testing procedures, and pass the DCT back to the body for any agreed adjustments to be made.
  - The body re-validates the DCT at step 6 to ensure the adjustments have not caused a validation failure.
  - At step 7, the body locks the DCT and passes it to auditors.
  - Once auditors complete their review, they lock the DCT at step 8 and then by 30 September
    - pass the locked DCT back to the body, who emails it to the Scottish Government
    - submit the locked DCT and assurance statement to the NAO.

## TSU contact point

11. The contacts in the TSU for this technical guidance note are
  - Paul O'Brien, Senior Manager (Technical) - 0131 625 1795 or [pobrien@audit-scotland.gov.uk](mailto:pobrien@audit-scotland.gov.uk).
  - Neil Cameron, Manager - Central Government and Health (Technical) - 0131 625 1797 or [ncameron@audit-scotland.gov.uk](mailto:ncameron@audit-scotland.gov.uk)



# 2 Preparation overview

## Introduction

12. WGA is the consolidated financial statements of all government components in the UK. HM Treasury is responsible for preparing WGA statements at a UK level. The Treasury requires government departments in England to consolidate their arms-length bodies with their own information. It has provided [guidance](#) on the preparation of the DCTs. The Treasury refers to itself in its guidance as the primary consolidator, and the departments as sub-consolidators.
13. Although there is no sub-consolidation of Scottish bodies, the Scottish Government has agreed to provide Treasury with equivalent information. Scottish bodies are therefore required to follow the Treasury guidance. The Scottish Government has, however, agreed different submission deadlines to those set out in the Treasury guidance. The agreed deadlines are reflected in this technical guidance note.

## WGA bodies

14. Most public bodies are required to complete and submit a DCT. Agencies (as with NHS boards) do not prepare DCTs as their information is collected as part of the preparation of the Scottish Government consolidated resource accounts. The Treasury has produced a list of all bodies within the WGA boundary for 2015/16. Each WGA body is allocated by the Treasury a counter-party identification (CPID) code.
15. Bodies that the Treasury define as minor do not have to provide information. To qualify for minor body status in 2015/16, bodies are required to be below £10 million for gross annual expenditure and income during 2014/15, and for gross assets and liabilities at 31 March 2015. The [CG-03 Confirmation of minor body status](#) form is used to confirm minor bodies.

## Data collection tool

16. Sub-consolidating departments are required to upload the information from the DCTs to consolidation software called the *Online system for central accounting and reporting* (OSCAR). NDPBs, non-ministerial departments and public corporations are required to complete a DCT and submit it to the Scottish Government for them to upload to OSCAR.
17. The master [DCT template](#) is used by central government bodies and local authorities, and the version for the relevant sector is created by the body entering their unique CPID code in the 'Instruction' worksheet.

## DCT data input

18. After the body has entered its CPID, the 'Body BF balance' worksheet is automatically populated with data from the final locked DCT for 2014/15.

19. The transferal of transactions and balances from the financial statements to the DCT is referred to as 'mapping'. There are the following two methods of entering financial data into a DCT
- Bodies can use the pro-forma method, which involves filling in tabs in the spreadsheet with financial information. This should reconcile to the body's published financial statements (group where prepared); or
  - Bodies can use the trial balance method, which involves mapping the body's trial balance codes onto the WGA SCOA. This data should reconcile back to the body's trial balance, and disclosures should be broadly the same as those in the published financial statements.
20. The trial balance figures are analysed using the Treasury's standard chart of accounts (SCOA) codes. These are 8-digit ledger codes which map to a line in the WGA financial statements. At a high level, the first digit of each SCOA corresponds to a class of balance (i.e. 1 for assets, 2 for liabilities and 3 for reserves), transaction (i.e. 4 to 6 for income and expenditure) or additional information (i.e. 8 for opening balances and 9 for disclosures).
21. The next step is to enter the balances and transaction data with another WGA body on the 'i.CPID\_Transactions' worksheet. This counterparty data is then used to calculate the consolidation adjustments needed by HM Treasury in the WGA accounts overall.

## Balances and transactions with other WGA bodies

22. The area of identifying, agreeing and reporting intra-group transaction streams and balances with other WGA bodies is probably the most important and highest risk area associated with WGA. In prior years, auditors have found large numbers of material mismatches in the figures reported by WGA bodies. Bodies are therefore required to have satisfactory processes for identifying relevant transaction streams and balances.
23. A key part of the process is the elimination of transactions and balances between WGA bodies. It is essential that bodies record complete and accurate counter-party information, as it is the only way in which transactions and balances between WGA bodies can be identified and eliminated. Counter-party eliminations are increasingly sensitive in terms of error evaluation, and elimination error is a key item of focus.
24. The basic principle is that bodies should identify and report transactions and balances with other WGA bodies using their unique CPIDs. Bodies should treat balances and transaction streams with agencies as if they were with the Scottish Government and use that CPID (i.e. SCT075). Bodies are required to report all their CPID balances and are expected to fully reconcile CPIDs with government grant figures.
25. Where the counter-party is another central government body (except HM Revenue and Customs, National Insurance Fund, and minor bodies), transactions and balances over £5 million require to be agreed with the counter-party using the [CG-01 Agreement of balances form](#). Agreement is not required for local authorities, although it is recommended.

26. The £5 million threshold applies to the aggregate for each type of balance or transaction stream with a counter-party. For example, if a body has a number of receivable balances with a counter-party which are each below the threshold but when aggregated exceed it, all balances should be reported.
27. The elimination process works on a number of match relationships and is automated in OSCAR. Match relationships are groups of account lines that are expected to eliminate each other. For example, grant payments in Body X are in the same match relationship as grant receipts in Body Y. Once two reported transactions or balances match each other, the OSCAR system automatically reverses the entries to eliminate them. However, if Body Y reported the receipt as trading income, that would be reported as an elimination error.
28. The CG-01 form should include all balances relating to amounts owing from, or income for goods and services provided to, the other central government body. It should be prepared and signed by the provider body before being forwarded to the relevant purchasing body. Agreement is regarded as being achieved when any difference between provider and purchaser is less than £200,000. Provider bodies should ensure that, when they complete the CG-01 form, they include the SCOA code to which they are allocating the balance or transaction. Once an amount has been agreed between two bodies, it can only be amended with their joint agreement.
29. If significant differences are detected between balances or transactions advised by the provider body and those recorded by the purchaser (i.e. one greater than £200,000), both parties are required to work together to ascertain why the difference has occurred. If an error is identified, the body with the error should adjust their records.
30. The CG-01 form should include details of any significant differences, including supporting papers. The supporting papers should include detailed explanations and further information that may be relevant, such as extracts from the financial statements and contracts. A copy of the CG-01 and supporting papers should be attached to the CG-02. If the difference is due to timing, the CG-01 form should carry a brief note to this effect. Where a dispute cannot be resolved, bodies are required to report this to the Scottish Government, and auditors should report significant differences in the assurance statement.

## DCT submission

31. Once the required data has been entered and validated, the local authority 'locks' the DCT by clicking the step 4 button. The locked DCT is then submitted to auditors (for their review) and the Scottish Government (for uploading to OSCAR) by 26 August 2016.

# 3 Auditor assurance overview

## Introduction

32. The audit responsibilities in respect of Scottish central government bodies can be summarised as follows
- The Comptroller and Auditor General is the auditor of WGA overall.
  - The NAO is the group auditor acting on behalf of the Comptroller and Auditor General and is responsible for the overall WGA audit approach, including the production of *Group audit instructions*.
  - The TSU is responsible for interpreting the NAO's group audit instructions for a Scottish context, and providing guidance to auditors.
  - Auditors of bodies over the £350 million threshold are responsible for
    - planning the review of the DCTs and arranging timetables for completion of the work within the required timeframes
    - completing the appropriate test procedures (see sections 4 and 5)
    - making judgements on the accuracy of the information within the DCT, and obtaining the authority's agreement regarding any adjustments that are required (see section 6)
    - reporting the results on completion of the review in an assurance statement submitted to the NAO (see section 6).
  - Auditors of bodies below the £350 million threshold (with the exception of minor bodies) are responsible for completing the first section of the assurance statement and submitting it to the NAO
33. The overall WGA audit opinion is therefore underpinned by work carried out by a WGA consolidation audit team within the NAO and the assurances provided by the auditors of individual bodies (referred to by the NAO as component bodies).

## Significant risks

34. The testing procedures set out in this technical guidance note have been designed to address the following significant risks that have been highlighted in the NAO's group audit instructions
- Inconsistent classification between the financial statements and the DCT. Information in the DCT needs to be mapped from a local authority's financial statements to the disclosures in the DCT. Any mismapping could be a classification error in WGA.

- Transactions and balances are inconsistently reported compared to the prior year. The NAO's reviews have identified that in some cases auditors had not completed sufficient work to ensure that mapping was also consistent with the prior year.
  - Incomplete or incorrect elimination of intra-government transactions. The audit opinion on WGA financial statements has always been qualified in relation to the elimination of transactions between WGA group entities, e.g. counterparties recognised different amounts, or only one side recognised a transaction.
35. Auditors should also consider significant risks identified for the audit of the financial statements and consider whether they should lead to additional testing procedures.

## Auditor assurance focus

36. The focus of the review by auditors is to provide assurance that the DCTs are materially fairly stated. The main parts of the review are to confirm that
- the impact of significant risks at the bodies that impact WGA have been appropriately addressed
  - transactions and balances have been recorded on a basis consistent with the prior year
  - the DCT is complete and accurate, and consistent with the financial statements
  - the CPID data is complete and accurate
  - the closing balances in the prior year DCT have been brought forward accurately into the current year DCT and, if appropriate, correctly restated
  - any recognised restatements are appropriately classified
  - all required additional information is provided (for the notes to the WGA)
  - transaction streams and balances with other WGA bodies have been correctly identified to enable elimination during the consolidation.
37. Auditors should complete the auditor action checklist at Appendix 1 of this note. Actions include initial gateway tests, fieldwork tests, and required completion procedures. The actions that auditors are required to carry out are discussed in sections 4 to 6.

## Submission deadline

38. Auditors should expect to receive the draft DCT by 5 August 2016. Auditors should plan to lock the DCT and pass it to the authority and submit it to the NAO by 30 September 2016.

# 4 Planning procedures

## Introduction

39. There are a number of procedures which auditors should carry out when planning the review of the DCT.
40. The planning procedures for 2015/16 are discussed in the following paragraphs.

## Planning procedure 1 - Requirement for review

**Auditors should establish whether a review of the DCT is required**

41. For 2015/16, auditor review and reporting is required where either gross assets (excluding property, plant and equipment, heritage assets, intangibles, investment properties, and assets held for sale), or gross liabilities (excluding pension liabilities), or gross income or gross expenditure is above £350 million.
42. No review is required for bodies below the threshold but auditors are required to complete lines 25 to 51 of the assurance statement and submit it to the NAO (other than for minor bodies).

## Planning procedure 2 - ISA 600 declarations

**Auditors should consider whether they can comply with the relevant parts of ISA 600**

43. The NAO, as group auditor, is required to comply with *ISA 600 (UK & Ireland) Special considerations - audits of group financial statements (including the work of component auditors)*. To reflect this, the NAO's group audit instructions are designed to ensure that they receive sufficient information and assurances from component auditors.
44. Auditors should be able to confirm that they
  - will undertake the review of the DCT in accordance with this technical guidance note
  - have an understanding of the guidance issued by the Treasury for WGA
  - possess the skills and experience necessary to perform the review of the DCT
  - will co-operate with the NAO and provide them with access to relevant documentation
  - understand that the NAO may evaluate their work.

## Planning procedure 3 - Materiality

**Auditors should establish the amount to be used for materiality**

45. Materiality for the review of the DCT should be the same as that adopted for the audit of the body's financial statements.

## Planning procedure 4 - Significant risks

**Auditors should plan how to address significant risks from a WGA perspective**

46. Auditors should consider the circumstances of the body, and document how the significant risks highlighted by the NAO impact on the body. For example
- a new finance system may have been implemented which may make it difficult to identify CPIDs in a manner consistent with the prior year; or
  - there may be new preparers who may make different judgements on the mapping of the financial statements to the DCT thereby creating inconsistencies compared with the prior year.
47. Auditors should also consider significant risks identified for the audit of the financial statements and determine whether there is a specific impact on the WGA review. This should apply to all significant risks identified as there is a possibility that risks that failed to crystallise for the financial statements audit may have an impact on the WGA review.

## Planning procedure 5 - Previous year matters

**Auditors should plan how to address the impact of matters identified in previous years**

48. Auditors should consider any local matters identified in the review of previous year DCTs, including any feedback provided by the NAO WGA team's review. Any changes required to the standard approach to address these local matters should be documented.

# 5 Gateway tests

## Introduction

49. DCTs are required to pass two gateway tests before they should be accepted by auditors for review. Gateway tests are simple initial checks to assess whether the fieldwork tests should commence.
50. Auditors should report in the 'timetable' section of the assurance statement if a body does not submit an acceptable DCT within the agreed timetable. The gateway tests for 2015/16 are discussed in the following paragraphs.

## Gateway test 1 - Information

**Auditors should confirm that they have sufficiently good quality and complete information to enable their review to begin**

51. The information that auditors should expect to receive is the locked DCT and an accompanying *CG-04 Management review checklist*.
52. Management review of completed DCTs is an essential part of ensuring their quality. Consolidation managers at WGA bodies (i.e. the individual responsible for preparing the DCT) are required to review the completed checklist and supporting working papers, and check that all tasks on the checklist have been completed. They should then sign the checklist to confirm that they are satisfied that management review of the DCT has taken place.
53. The checklist is split into two parts; part 1 requires to be completed by relevant bodies (including the Scottish Government in respect of its departmental submission); part 2 does not apply as it is in respect of sub-consolidations.

## Gateway test 2 - Validations

**Auditors should review the relevant worksheets in the DCT and confirm that**

- **there are no 'hard' validation errors shown**
- **the explanations for 'soft' validation failures are consistent with their knowledge of the authority**

54. The DCT includes validation checks principally within the 'K.Validation\_errors' and 'CP-Validation' worksheets. Additional validation checks are also included at the bottom of individual worksheets.
55. The DCT contains the following types of validation checks to ensure it has been properly prepared



- 'Hard' validations control critical data such as ensuring that the accounts balance. Hard validation failures are shown as a red cell in the relevant worksheet. A failure of a hard validation will prevent the DCT from being uploaded to OSCAR.
  - 'Soft' validations review expected relationships within the DCT. For example, it is expected that impairment costs in the comprehensive income and expenditure statement will equal impairment costs in the property, plant and equipment and intangibles notes. Soft validation failures are shown as an orange cell. Failure of a soft validation will not prevent the DCT from being uploaded, but it will be highlighted for action by the body.
56. The DCT presented for review by auditors must have passed all hard validations, as failure prevents the DCT from being uploaded. Auditors should ask the body to resolve any that are shown.
57. Although the DCT may be submitted with soft validation failures, the body will have to input explanations into the relevant worksheet. If the explanations are inconsistent with the auditor's knowledge of the body, the DCT should be returned. Due to the way it is constructed, the explanations for soft validations are deleted each time the validation macro is run. The Treasury strongly suggests that bodies save explanations into a separate worksheet so they can be easily copied if deleted.

# 6 Fieldwork tests

## Introduction

58. Once the gateway tests have been passed, auditors should proceed to the fieldwork tests. The fieldwork tests for 2015/16 are set out and discussed in the following paragraphs.

## Fieldwork test 1 - Line by line agreement to financial statements

### Auditors should

- **reconcile the primary statements and notes in the DCT line by line to the financial statements**
- **review the financial statements to confirm that all significant disclosures are reflected in the DCT**
- **investigate variances through discussion with the authority and review of evidence**

59. The process of agreeing the financial statements to the DCT is an important aspect of making sure it is accurate, and the most significant transaction streams and balances require to be checked.
60. The mapping process should have been subject to management review. If figures do not reconcile easily, auditors should examine bodies' working papers that support their mappings.
61. The main allowable difference between the financial statements and the DCT is for agency transactions. Agency transactions should be grossed up and included within DCTs with relevant CPIDs reported to allow for full elimination across all WGA bodies (unless there is an agreement between all bodies to only report their share of costs/income).
62. The following points should be noted
- The DCT requires cash balances to be separately disclosed between commercial bank accounts and cash balances held with the Government Banking Service (GBS). Balances held with CitiBank and RBS under the GBS agreement should be disclosed in the GBS line, rather than with commercial bank accounts.
  - The DCT treats tangible heritage assets and investment properties as categories within property, plant and equipment, and intangible heritage assets within intangible assets. Investment properties and material heritage assets will be presented separately in the final WGA financial statements.
63. Auditors should use the 'Auditors comments' columns in the DCT to evidence their checks and reconcile and explain any differences. The NAO and Treasury find the proper use of this column very useful in resolving queries.

## Fieldwork test 2 - Consistency with previous year

### Auditors should confirm that

- **the mapping in 2015/16 is consistent with, or an improvement on, the mapping used for 2014/15**
- **a retrospective restatement has been made, where required**

64. Auditors are required to confirm the consistency of mapping between 2013/14 and 2014/15. Any change should result in better quality information in 2014/15. A consequent retrospective restatement may be required.
65. This test is different to fieldwork test 1 as that test does not provide assurance that transactions and balances have been mapped on a consistent basis. This test requires a direct comparison of 2015/16 mapping with 2014/15 mapping.

## Fieldwork test 3 - Opening balances

### Auditors should confirm that

- **the final (restated) opening balances in the 2015/16 DCT are consistent with the comparative figures in the 2015/16 audited financial statements**
- **the pre-populated balances in the 2015/16 DCT agree to the closing balances in the 2014/15 DCT**
- **restatements of the opening balances have been correctly classified**

66. Auditors are required to confirm that the 2014/15 data has been correctly carried forward on tabs 'CP-SOFP' and 'CP-SOCI'. Opening balances are populated into the DCT automatically based on the closing 2013/14 DCT. The brought forward figures require to be reviewed to confirm they reconcile to the closing submission for that year.
67. Auditors should check that any restatement of the opening balances has been correctly classified. Auditors should report any uncorrected differences in the 'Reconciliation of DCT to published accounts' section of the assurance statement. Common reasons for restatements are as follows
- 'MOG' (i.e. machinery of government) should be used for the transfer of functions between one government body and another. This should be restricted to changes within the departmental boundary only.
  - 'Changes in accounting policy' should be used for changes in accounting policy only.

## Fieldwork test 4 - Additional information

### Auditors should confirm that

- **the additional information within the DCT is based on relevant financial statement disclosures and is complete**
- **all significant disclosures in the financial statements are reflected in the DCT**

68. Bodies are required to fill in additional information worksheets within the DCT (i.e. CP-Provisions, CP-Cont-liabilities, CP-Assocs & JVs, CP-Add-information, staff numbers in the 'O-COST' worksheet, and exit packages disclosure) based on the relevant financial statements disclosures. Auditors should review the financial statements to confirm that the disclosures in the DCT are complete. Contingent liabilities is a particular area where the NAO has previously found high levels of errors.
69. The Treasury does not require intra-group items to be deducted from the additional information disclosures, e.g. where one component has a contingent liability or operating lease with another WGA body. There is therefore the risk of overstatements arising from non-elimination, and auditors should note on the assurance statement (in the 'Reconciliation of DCT to published accounts' section) if the impact of intra-group items within any of the additional information is more than £20 million.

## Fieldwork test 5 - CPID completeness

### Auditors should

- **review the body's process for ensuring completeness of CPID transactions and the work undertaken to clear mis-matches**
- **compare CPIDs reported for 2014/15 with CPIDs reported in 2013/14 to identify any incomplete CPIDs**

70. Auditors are required to use their judgement to conclude as to whether the CPID transactions are materially complete. This includes understanding the processes for identifying CPID transactions, whether a CPID threshold has been applied, and whether the body has recognised transaction or balance on a gross or net basis (for WGA purpose, CPID transactions should be reported on a gross basis).
71. Auditors should confirm that CPIDs reported for 2014/15 are also reported for 2015/16 or establish the reason where this is not the case.

## Fieldwork test 6 - CPID reporting threshold

### Auditors should

- **establish whether the authority uses a reporting threshold for CPID information**
- **establish whether the threshold has been agreed with Treasury**
- **estimate the extent of under-reporting**

72. There is no CPID reporting threshold and authorities are required to report all their CPID balances regardless of their value. However, the NAO has identified that some bodies have agreed centrally with Treasury to apply a CPID reporting threshold. This test is to identify such instances and collect the information of any under-reporting of CPID transactions.
73. Auditors should identify if the authority has applied a CPID reporting threshold and, if so, whether this has been agreed with Treasury.
74. Auditors should report as an error in the assurance statement the estimated level of under-reported CPIDs (i.e. the value of CPIDs below the reported threshold) that the authority has estimated in support of their application to Treasury. Where the authority has not estimated the level of under-reported CPIDs, auditors should note this within the comments section on the assurance statement.

## Fieldwork test 7 - CPID annual accounts review

### Auditors should

- **review the annual accounts and confirm that all references to transactions and balances with other WGA bodies have been disclosed in the 'i\_CPID\_transactions' sheet**
- **review the consistency of the reporting of intra-government balances and transactions in the DCT with the intra-government balances and transactions reported in the financial statements**
- **investigate variances over £1 million through discussion with the authority and review of evidence**

75. In order to ensure that intra-group transaction streams and balances are completely and accurately reported, CPIDs reported for the 'SOFP' and 'SOC1' worksheets should be consistent with available financial statements evidence, e.g. related party disclosures, debtor and creditor ledgers etc. Auditors should review all of the annual accounts, including the performance report, and not restrict their consideration to disclosures in the financial statements.
76. Transaction streams and balances should be fully allocated to CPIDs within the DCT.

77. Auditors should note any unresolved variances in the assurance statement (in the 'Reporting of intra group transaction streams and balances' section) unless the total of all errors is less than £1m.

## Fieldwork test 8 - CPID high level review

**Auditors should review the 'i.CPID\_Transactions' sheet to confirm that**

- all obvious CPIDs have been identified and reported
- the body has not made any common CPID errors
- the body has identified, agreed and reported CPIDs on an accruals basis
- where CPIDs are reported for the 'SOFPI' sheet, there is a corresponding CPID for the 'SOCII' sheet, and vice versa, if appropriate
- the signage of CPIDs is the correct way round
- amounts have been entered in £000s

78. Auditors should use their knowledge of the authority to check that all obvious CPIDs have been identified and reported (e.g. grant-in-aid and grants, social security contributions, pension contribution and liabilities, VAT debtor/creditor, lottery receipts) and that common CPID mistakes have not been made (e.g. 'tax and duties' paid to HM Revenues and Customs should be coded to IRT813 rather than HMR041).
79. Auditors should also check that the signage of CPIDs is the correct way round - positive for debit balances, i.e. assets and expenditure (SCOAs beginning with 1, 5 & 6), negative for credit balances, i.e. liabilities, reserves and income (SCOAs beginning with 2, 3 & 4 respectively).

## Fieldwork test 9 - CPID accuracy

**Auditors should select a sample of CPIDs on the DCT 'i.CPID\_transactions' worksheet and confirm that the amounts are**

- accurate
- supported by relevant evidence

80. Auditors are required to check that a sample of intra-group transaction streams and balances are accurately reported. Samples should focus on the highest value items and areas where there have been errors in the past. Balances with HMRC and employer contributions to pension funds require to be tested substantively. Relevant supporting evidence includes invoices, contracts or ledger extracts.
81. Where year-end balances or in-year transactions with other central government bodies are over £5 million, supporting evidence will include the CG-01 forms. Auditors should confirm that

- the body has agreed these balances and transactions with all relevant counter-parties using the CG-01 forms
  - differences have been investigated, and the bodies have taken appropriate steps to resolve the problem or report the mismatch to the Scottish Government
  - the values on the CG-01 forms match the CPID values reported in the DCT
  - values agree to supplementary sources of information, such as disclosures in the financial statements or invoices.
82. The level of testing is a matter for auditors' professional judgement, and should reflect the complexity and volume of counter-parties disclosed.

## Fieldwork test 10 (optional) - Matches report

**Auditors should consider reviewing the matches report (i.e. inter-company report) to identify any instances of any under-reported or otherwise incomplete CPID information**

83. The matches report (more formally titled the inter-company report) can be used to identify instances where a counterparty has reported a transaction but the body has not, or where there are differences in the amounts reported for the same transaction.
84. This test was removed in 2014/15, but has been re-introduced as an optional test. Although potentially a useful tool, the test is optional because the matches report is a 'live' document and will only include transactions for bodies who have uploaded DCTs at the point the report was run. Auditors should therefore use their judgement as to whether this test is considered useful in the context of local circumstances and will provide meaningful analysis on the completeness of CPID transactions (i.e. evidence of under reported or incomplete CPID).
85. The elimination process in the matches report works on a number of match relationships and is automated within OSCAR. Match relationships are groups of account lines that are expected to eliminate against each other.
86. Guidance on how to interpret the matches report is included in Annex E of the NAO's group audit instructions. In summary, the matches report has the following three worksheets
- Guidance - provides notes on how to use the filters to pull out data specific to your body.
  - Criteria data filter - the form to be completed to use the in-build filter. The worksheet can show all transactions reported by the body, all transactions reported by counterparties against the body, or the transactions between the body and a specific counterparty.
  - Data for analysis - a complete list of all the data from CPID input tabs of DCTs that have been uploaded into OSCAR.
87. In order to determine whether the counterparty has uploaded their DCT, auditors should
- use the 'data for analysis' worksheet
  - select the filter under 'organisation' (column D) to filter for the relevant counterparty

- identify whether any transactions are showing for the counterparty. If no data is listed, the counterparty has not yet uploaded their DCT.

88. The NAO will provide matches reports to the TSU who will then make them available to auditors.

## Fieldwork test 11 - Additional test procedures

**Auditors should consider whether significant risks identified for the audit of the financial statements should lead to additional test procedures**

89. Auditors are required to consider significant risks identified for the audit of the financial statements, determine whether there is a specific impact on the DCT review, document the impact of these specific risks, and consider whether they should lead to additional test procedures.
90. Any additional test procedures should be noted in the comments box in the 'Other matters/key judgements made in the audit of the annual accounts' section on the assurance statement, along with an indication of any remaining risk that could not be mitigated by additional test procedures.



# 7 Completion procedures

## Introduction

91. There are a number of steps in the completion process that cannot be 'rolled back' if undertaken incorrectly. The NAO considers it may be prudent to ask the body's management to retain a copy of the DCT in a safe place before undertaking the completion procedures, in case there are any problems.

## Completion procedure 1 - WGA errors and adjustments

### Auditors should

- **consider errors identified in the fieldwork tests**
- **agree any adjustments**
- **prepare the unadjusted errors schedule**

92. Auditors are required to accumulate the errors in the DCT identified in the fieldwork tests and agree these with the body. Auditors should encourage bodies to correct all errors, particularly CPID omissions. Changes may also arise from work carried out by bodies, but any adjustments require to be agreed with auditors.
93. Auditors should
- unlock the DCT by clicking step 5 and entering the password (which will be emailed to auditors separately)
  - pass the unlocked DCT back to the body's management (by email or in person), who can then make adjustments as agreed
  - remind the body's management that they should not click step 7 until after they have received confirmation from auditors (NB the body cannot unlock the DCT once step 7 has been completed).
94. If the body chooses not to adjust the errors identified in the fieldwork tests, auditors should complete the WGA unadjusted error schedule (a separate worksheet accompanying the assurance statement), unless the total of all errors is less than £1 million. Auditors should record the journal entries required to correct the errors.
95. Unadjusted errors from the audit of the financial statements reported to those charged with governance should also be included in the schedule. Individual financial statement errors over £5 million should be disclosed separately, but those below that level can be aggregated into one line (even if the aggregate entry exceeds £5 million). The body's consolidation manager is required to agree that the errors are unadjusted by signing the completed schedule.

96. If there are no errors, or if all errors arising from the fieldwork tests are less than £1 million, the unadjusted error schedule should be completed as a 'nil return' and signed off by auditors, rather than being deleted; the consolidation manager is not required to sign it.
97. Once the adjustments have been recognised in the DCT, but before step 7 is clicked, auditors should review the DCT to confirm that all adjustments agreed have been put through correctly. Auditors will also have to pass on certain contact information to the body so that it can be included in the DCT (the DCT cannot be locked without this information).
98. Once step 7 has been clicked, bodies should have passed the DCT back to auditors.

## Completion procedure 2 - Locking DCT

**Auditors should lock the DCT and pass it back to the body**

99. Once testing has been completed and reviewed, auditors should click the step 8 'lock for submission cycle 2' button on the 'Instructions' worksheet to lock the DCT for a final time. This confirms that auditors are satisfied with the DCT being submitted into OSCAR, and therefore the DCT should not be locked until the review is complete.
100. After auditors have locked the DCT, it should be passed back to the body for submission to the Scottish Government by 30 September 2016.
101. It will not be possible to upload any DCTs to OSCAR after 24 October and therefore it is important that auditors encourage bodies to submit their information to the Scottish Government on time.

## Completion procedure 3 - Assurance statement

**Auditors should complete and sign the assurance statement**

102. The NAO produces the assurance statement proforma, but the TSU has agreed amendments with the NAO to make the wording more applicable to Scottish central government bodies. The 2015/16 assurance statement to be used accompanies this technical guidance note.
103. Assurance statements are intended to summarise the results of the work undertaken by auditors and key information that may be required by the NAO in auditing and reporting on the WGA overall. Details of issues should be provided, along with their impacts on the audit and the conclusions reached.
104. The assurance statement is prepared in a specific format in Excel which allows it to be automatically uploaded to a database when they are submitted to the NAO. Changes to the format (e.g. adding lines or columns) should not be made by auditors as this prevents it from being uploaded, which would therefore require it to be returned to the component auditor for correction.

105. Auditors are required to complete lines 25 to 51 of the assurance statement. This includes
- the name and CPID of the body
  - the opinion on the financial statements, details of any modifications, and the materiality level used for the audit
  - certain key values from the financial statements, and confirmation as to whether the DCT is above the threshold
  - a reasonable estimate of the cost of delivering the assurance review.
106. In order to demonstrate compliance with ISA 600, where the DCT is above the threshold, auditors are required to confirm in the 'Approach' section of the assurance statement that they
- undertook the review of the DCT in accordance with this technical guidance note
  - have an understanding of the guidance issued by the Treasury for WGA
  - possess the skills and experience necessary to perform the review of the DCT
  - will co-operate with the NAO and provide them with access to relevant documentation
  - understand that the NAO may evaluate their work.
107. In the 'Reconciliation of DCT to published accounts' and 'Reporting of intra-group transaction streams and balances' sections, auditors should record a summary of the key findings and judgements from the review, e.g. information on the reconciliation of the DCT to the financial statements, and reporting intra-group transactions and balances.
108. Auditors should report judgements or other matters arising from the audit of the financial statements that they consider should be brought to the attention of the NAO in the 'Other matters/key judgements' section. This may include a material fraud, significant disagreements with management, or other issues that may be significant to WGA overall.
109. Auditors should report their conclusions from their review in the 'Auditor's report to the C&AG' section in the assurance statement. The conclusions are in two parts, i.e. whether
- the transactions, balances and additional disclosure information reported in the DCT are consistent with the audited financial statements or accounting records from which those statements are produced
  - the counterparty information reported in the DCT is complete and accurate in all material respects.
110. The following options are provided in the assurance statement, and auditors should select which conclusion best fits each part
- Agree.
  - Agree - but immaterial errors.
  - Disagree - due to material errors.
  - Disagree.

111. The first two options are akin to unmodified audit opinions on the financial statements. The other options are akin to modifications to the audit opinions
- The third option should be used where the DCT is materially misstated, but this is limited to a number of specific areas that can be quantified or ring-fenced.
  - The fourth option should only be used in exceptional circumstances where there is material disagreement or limitation of scope which is pervasive, and the effect cannot be limited to specific areas of the DCT or quantified. Auditors should raise their concerns with the TSU if this option is being considered seriously.
112. Materiality for the review of the DCT should be recorded in the assurance statement. Where a different level is used compared with the audit of the authority's financial statements, an explanation is required to be included in the assurance statement. When assessing the level of error against materiality, unadjusted errors from the financial statements audit (ISA 260 errors) should be added to errors identified in the fieldwork tests to arrive at a total WGA error.

## Completion procedure 4 - Submission

**Auditors should submit the locked DCT and assurance statement to the NAO using the required naming convention by 30 September 2016**

113. Auditors should submit the following Excel documents by 30 September 2016 to [wgareturns@nao.gsi.gov.uk](mailto:wgareturns@nao.gsi.gov.uk)
- Locked DCT, where a review has been carried out.
  - Assurance statement (including the unadjusted errors schedule).
114. Auditors should also scan a signed version of the assurance statement and unadjusted errors schedule and submit them along with the Excel version. The assurance statement should be signed by the Assistant Director or Partner, but signature by the Manager is acceptable.
115. Auditors should ensure they use the naming convention for
- the required submissions using the format CPID\_Name of audited body\_Document name, e.g. SFC075\_Scottish Funding Council\_Assurance statement
  - the subject line of the emails attaching the required submissions using the format CPID\_Name of audited body, e.g. SFC\_Scottish Funding Council.
116. ASG staff should store the locked DCT in the appropriate audited body's 'Financial audit - outputs' library on ishare, and firms should send it to [outputs@ishare.audit-scotland.gov.uk](mailto:outputs@ishare.audit-scotland.gov.uk).

# Appendix 1

## Auditor action checklist

Planning procedures		Yes/No/N/A	Initials/date	W/P ref
1	Have you established whether a review of the DCT is required?			
2	Have you considered whether you can comply with the relevant parts of ISA 600?			
3	Have you established the amount to be used for materiality?			
4	Have you planned how to address significant risks from a WGA perspective?			
5	Have you planned how to address the impact of matters identified in previous years?			

Gateway tests		Yes/No/N/A	Initials/date	W/P ref
1	Have you confirmed that you have sufficiently good quality and complete information to enable the review to begin?			
2	Have you reviewed the relevant worksheets in the DCT and confirmed that <ul style="list-style-type: none"> <li>• there are no 'hard' validation errors shown?</li> <li>• the explanations for 'soft' validation failures are consistent with your knowledge of the body?</li> </ul>			

Fieldwork tests		Yes/No/N/A	Initials/date	W/P ref
1	<p>Have you</p> <ul style="list-style-type: none"> <li>reconciled the primary statements and notes in the DCT line by line to the financial statements?</li> <li>reviewed the financial statements to confirm that all significant disclosures are reflected in the DCT?</li> <li>investigated variances through discussion with the authority and review of evidence?</li> </ul>			
2	<p>Have you confirmed that</p> <ul style="list-style-type: none"> <li>the mapping in 2015/16 is consistent with, or an improvement on, the mapping used for 2014/15?</li> <li>a retrospective restatement has been made, where required?</li> </ul>			
3	<p>Have you confirmed that</p> <ul style="list-style-type: none"> <li>the final (restated) opening balances in the 2015/16 DCT are consistent with the comparative figures in the 2015/16 audited financial statements?</li> <li>the pre-populated balances in the 2015/16 DCT agree to the closing balances in the 2014/15 DCT?</li> <li>restatements of the opening balances have been correctly classified?</li> </ul>			
4	<p>Have you confirmed that</p> <ul style="list-style-type: none"> <li>the additional information within the DCT is based on the relevant financial statements disclosures and is complete?</li> <li>all significant disclosures in the financial statements are reflected in the DCT?</li> </ul>			

Fieldwork tests		Yes/No/N/A	Initials/date	W/P ref
5	<p>Have you</p> <ul style="list-style-type: none"> <li>reviewed the body's process for ensuring completeness of CPID transactions and the work undertaken to clear mis-matches?</li> <li>compared CPIDs reported for 2015/16 with CPIDs reported in 2014/15 to identify any incomplete CPIDs?</li> </ul>			
6	<p>Have you</p> <ul style="list-style-type: none"> <li>established whether the body uses a reporting threshold for CPID information?</li> <li>established whether the threshold has been agreed with Treasury?</li> <li>estimated the extent of under-reporting?</li> </ul>			
7	<p>Have you</p> <ul style="list-style-type: none"> <li>reviewed the annual accounts and confirmed that all references to transactions and balances with other WGA bodies have been disclosed in the 'i_CPID_transactions' sheet?</li> <li>reviewed the consistency of the reporting of intra-government balances and transactions in the DCT with the intra-government balances and transactions reported in the financial statements?</li> <li>investigated variances over £1 million through discussion with the authority and review of evidence?</li> </ul>			
8	<p>Have you reviewed the 'i.CPID_Transactions' sheet to confirm that</p> <ul style="list-style-type: none"> <li>all obvious CPIDs have been identified and reported?</li> <li>the body avoided the common CPID errors?</li> <li>the body identified, agreed and reported CPIDs on an accruals basis?</li> </ul>			

Fieldwork tests		Yes/No/N/A	Initials/date	W/P ref
	<ul style="list-style-type: none"> <li>the CPIDs reported for the 'SOFP' sheet correspond to those reported for the 'SOCl' sheet, if appropriate?</li> <li>the signage of CPIDs is the correct way round?</li> <li>amounts have been entered in £000s?</li> </ul>			
9	<p>Does sample testing of CPIDs on the DCT 'i.CPID_transactions' worksheet confirm that the amounts are</p> <ul style="list-style-type: none"> <li>accurate</li> <li>supported by relevant evidence?</li> </ul>			
10	<p>Have you considered reviewing the matches report (i.e. inter-company report) to identify any instances of any under-reported or otherwise incomplete CPID information?</p>			
11	<p>Have you considered whether significant risks identified for the audit of the financial statements should lead to additional test procedures?</p>			

Completion procedures		Yes/No/N/A	Initials/date	W/P ref
1	<p>Have you</p> <ul style="list-style-type: none"> <li>considered errors identified in the fieldwork tests?</li> <li>agreed any adjustments?</li> <li>prepared the unadjusted errors schedule?</li> </ul>			
2	<p>Have you</p> <ul style="list-style-type: none"> <li>locked the final version of the DCT?</li> <li>passed the final locked DCT to the body for submission to the Scottish Government?</li> </ul>			



Completion procedures	Yes/No/N/A	Initials/date	W/P ref
3 Have you completed and signed the assurance statement?			
4 Have you submitted the locked DCT and assurance statement to the NAO using the required naming convention by 30 September 2016?			

# Appendix 2

## Key sources of guidance on WGA

The following represent key sources of guidance and other useful information in respect of WGA which can be accessed by following the hyperlinks or downloaded from Audit Scotland's *Technical reference library*.

- [Guidance to the whole of government accounts -year ended March 2016](#)
- CG-04 management review checklist
- 2015/16 WGA CPID list

Auditors may also have to refer to the NAO's *2015/16 Group audit instructions*