



2016/17 independent auditor's reports (local authorities)

Technical guidance note 2017/5(LA)

 **AUDIT SCOTLAND**

Prepared by the Technical Services Unit
13 April 2017

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

Contents

Foreword	5
1 Introduction	6
Introduction	6
Purpose of technical guidance note.....	6
Contact point	6
2 Overview	7
Purpose of section.....	7
Changes in 2016/17	7
Summary of auditor's reporting responsibilities.....	7
Summary of model reports	8
Changes to model wording.....	8
Title and addressees	9
'Bannerman' paragraph	10
Structure of model reports	10
Signing and dating.....	10
Positioning of the independent auditor's report	11
3 Report on the audit of the financial statements	12
Purpose of section.....	12
Auditor's responsibilities	12
Opinion on financial statements.....	12
Basis of opinion.....	14
Modified opinions	14
Respective responsibilities	16
Other information	16
Other matter paragraph.....	17
Emphasis of matter paragraph	17
4 Opinions on other prescribed matters	19
Purpose of section.....	19
Auditors' responsibilities	19
Unqualified opinion.....	19

	Qualified opinion	20
5	Matters reported on by exception	21
	Purpose of section.....	21
	Overview	21
	Accounting records.....	21
	Information and explanations	22
	Failure to achieve a prescribed financial objective.....	22
	Suitable conclusion on matters reported by exception.....	22
	Appendix 1	24
	Model independent auditor’s report – councils (group)	24
	Appendix 2	27
	Model independent auditor’s report – councils (non-group) and section 106 bodies	27
	Appendix 3	30
	Model independent auditor’s report – local government pension scheme pension funds .	30
	Appendix 4A.....	33
	Model independent auditor’s report – registered section 106 charities (accrued accounts)	33
	Appendix 4B.....	36
	Model independent auditor’s report – registered section 106 charities (receipts and payments accounts)	36
	Appendix 5	39
	Auditor action checklist.....	39
	Appendix 6	41
	Model auditor’s report – summary financial statements	41

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 to support them in meeting certain responsibilities under the *Code of audit practice*. They cover auditors' responsibilities to audit and report on 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 reporting the audit of the annual accounts, including model independent auditor's reports.

While appointed 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 requires auditors to report the results of the audit of the annual accounts in accordance with this technical guidance note.*** 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.

1 Introduction

Introduction

1. External auditors appointed by the Accounts Commission are required under the *Local Government (Scotland) Act 1973* (the 1973 Act) to provide opinions on local authorities' annual accounts.
2. The 1973 Act requires auditors to place a certificate on a local authority's annual accounts and for that certificate to be in the form prescribed by the Accounts Commission. Paragraph 94 of the *Code of audit practice* requires the independent auditor's reports (i.e. the certificate) to be in accordance with a technical guidance note provided by the TSU.

Purpose of technical guidance note

3. The purpose of this technical guidance note from the TSU is to provide those auditors with 'sign off' responsibilities with the model independent auditor's reports which should be used for the 2016/17 annual accounts of local authorities, along with guidance on their use.
4. The models for 2016/17 are required to comply with *ISA (UK&I) 700 The independent auditor's report on financial statements*. This standard will be replaced from 2017/18 by the new *ISA (UK) 700 Forming an opinion and reporting on financial statements*, which contains a revised structure for the independent auditor's report. Although ISA (UK) 700 does not formally apply, the model reports for 2016/17 have been revised to follow the structure set out in that new standard, while also complying with the minimum requirements of ISA (UK&I) 700.
5. The wording of the model independent auditor's reports at Appendices 1 to 4 is consistent with illustrative examples issued by the Financial Reporting Council but tailored to reflect local authority sector legislation and augmented by the reporting requirements of the Accounts Commission.
6. Auditors should complete for each report the checklist at Appendix 5 which provides a list of the key auditor actions set out in this technical guidance note.
7. This technical guidance note also provides at Appendix 6 a model report which should be used for pension fund summary financial statements.

Contact point

8. The contact point for this technical guidance note is Paul O'Brien (pobrien@audit-scotland.gov.uk or 0131 625 1795).

2 Overview

Purpose of section

9. This section provides an overview of the model independent auditor's reports in Appendices 1 to 4.

Changes in 2016/17

10. The model independent auditor's reports for 2016/17 have been changed to
 - follow the revised structure and wording in ISA (UK) 700
 - include new opinions in respect of the management commentary and annual governance statement (which is no longer reported as a matter by exception).

Summary of auditor's reporting responsibilities

11. When reporting on the audit of the annual accounts, auditors of local authorities are required by legislation and [international standards on auditing in the UK](#) to express an opinion on whether the financial statements give a true and fair view and are properly prepared in accordance with the applicable financial reporting framework and relevant legislation.
12. Auditors are required by *ISA 720 (UK&I) Section A The auditor's responsibilities relating to other information in documents containing audited financial statements* to read the information in the annual accounts, other than the financial statements, and report any material inconsistencies with either the financial statements or the auditor's knowledge.
13. Auditors have other reporting responsibilities prescribed by the Accounts Commission under the audit appointment which are to
 - express an opinion on whether the auditable part of the remuneration report has been properly prepared
 - express an opinion on whether the management commentary (or equivalent report) is consistent with the financial statements and, as a new requirement for 2016/17, whether it has been prepared in accordance with statutory guidance
 - as a new requirement for 2016/17, express an opinion on whether the annual governance statement is consistent with the financial statements and has been prepared in accordance with the good governance framework
 - report conclusions on other matters by exception, including on whether adequate accounting records have been kept.
14. An auditor's report is also required on the summary financial statements which pension funds are required to produce. Auditors should refer to module 10 (section 10) of [Technical guidance note 2016/10\(LA\)](#).

Summary of model reports

Auditors should use the correct model report that applies to the circumstances of the local authority or charity.

15. In the interests of consistency, auditors are required to use the correct model independent auditor's report in the appendices to this technical guidance note as a condition of their audit appointment.
16. The model independent auditor's reports set out in the appendices, and the annual accounts to which they apply, are summarised in the following table

Appendix	Applicable accounts
1	The annual accounts of councils constituted under section 2 of the <i>Local Government (Scotland) Act 1994</i> where group financial statements are prepared
2	The annual accounts of councils constituted under section 2 of the 1994 Act where group financial statements are not prepared. The annual accounts of bodies to which section 106(1a) of the 1973 Act applies (e.g. valuation joint boards, joint committees, regional transport partnerships and integration joint boards)
3	The annual accounts of local government pension scheme pension funds administered by local authorities
4A	The statement of accounts of registered charities that fall under section 106(1b) of the 1973 Act prepared on an accrued basis
4B	The statement of accounts of registered charities that fall under section 106(1b) of the 1973 Act prepared on a receipts and payments basis
6	The summary financial statements of local government pension scheme pension funds

Changes to model wording

Auditors should follow the model wording in each report other than changes required to reflect local circumstances or where a modification to an opinion or conclusion is required.

17. Where there are no modifications to any opinion or conclusion, the wording in the relevant model should generally be used unchanged, other than to reflect local circumstances.

Permitted changes - no modifications to opinions or conclusions

18. In order to reflect local circumstances, the only exceptions to using the model wording are

- the text indicated in the models in [square brackets]
 - other amendments to reflect local terminology.
19. Where text is in [square brackets], auditors should insert the
- name of the local authority, pension fund or charity
 - Where an authority administers more than one pension fund, the name of each fund should be listed in the first two references, and subsequent references in the model wording to 'fund' should be replaced with 'funds'. Alternatively, auditors may prepare a separate report for each fund.
 - Where an authority uses the connected charities provisions, auditors should insert the collective name for all the charities covered in the first two references, and subsequent references in the model wording to 'charity' should be replaced with 'charities'. If more than one charity is included in the same document, but the connected charities provisions have not been used, the name of each charity in the document should be listed and again subsequent references should be to 'charities' (or auditors should prepare a separate report for each charity in the document).
 - precise titles used by the authority for the financial statements
 - job title of the section 95 proper officer as used in the statement of responsibilities (e.g. Director of Finance).
20. Where the appointed auditor is a member of Audit Scotland staff, the reports should be presented in the first person singular. Firms should present the report in the first person plural.
21. Auditors may also have to make amendments to tailor the terminology to reflect local circumstances. This may include amending the names of the management commentary, remuneration report, annual governance statement, and statement of responsibilities to the actual names used by the authority.
22. If auditors consider that any other amendments are required to reflect local circumstances, they should contact the TSU.

Modifications to opinions or conclusions

23. Guidance on modifying an opinion or conclusion is provided in the relevant section of this technical guidance note.
24. However, auditors are required to discuss a proposed modification to any opinion or conclusion, or the inclusion of 'emphasis of matter' or 'other matter' paragraphs, with the TSU in advance of finalising the report.

Title and addressees

25. ISA (UK&I) 700 requires the independent auditor's report to have a title and be properly addressed. The term 'independent auditor's report' should be used in the title to clearly distinguish it from other required reports, such as the annual audit report.

26. The independent auditor's report should be addressed to the elected members (trustees for charities) and the Accounts Commission. This supersedes the *Code of audit practice* which incorrectly requires the independent auditor's report to be addressed to the Controller of Audit.

'Bannerman' paragraph

27. The model reports contain a paragraph immediately after the addressees to recognise the judgement in the case of *Royal Bank of Scotland v Bannerman Johnstone Maclay*, which highlighted the potential exposure of auditors to third parties who assert that they rely on audit reports where auditors have not expressly disclaimed responsibility to those third parties.
28. The model 'Bannerman' paragraph explains that the report is made solely to the parties to whom it is addressed and that auditors do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties. The dispensation which allowed auditors to make minor amendments to this wording in previous years no longer applies.

Structure of model reports

29. The structure of the 2016/17 model reports at Appendices 1 to 4 has been revised to follow the structure in ISA (UK) 700. The models therefore contain the following two main headings
- Report on the audit of the financial statements (see section 3), which has paragraphs on
 - the opinion on the financial statements
 - the basis for that opinion
 - responsibilities of the proper officer/trustees
 - auditor's responsibilities for the financial statements
 - other information.
 - Report on other requirements, which has paragraphs on
 - opinions on other prescribed matters to the extent applicable, i.e. the remuneration report, management commentary and annual governance statement (see section 4)
 - conclusions on matters reported on by exception (see section 5).

Signing and dating

Overview

Auditors should

- **sign and date the report on or after the authorised for issue date**
- **sign the report on behalf of the firm (firms only)**
- **give the full date and postal address**
- **satisfy themselves that the report is appropriately positioned within the document.**

-
30. ISA (UK&I) 700 requires independent auditor's reports to state the name of the auditor and be signed and dated.

Signing

31. For audits where the auditor is a member of Audit Scotland staff, the individual should sign the report in their own name.
32. Where the auditor is a firm, for consistency with the *Companies Act 2006*, the report should be signed in their own name by the partner or other individual who is responsible for issuing the report for and on behalf of the firm.
33. Auditors should not sign themselves as 'senior statutory auditor'.

Dating

34. The date of the report should be the date on which the auditor actually signs the report. Auditors should give the correct day, month and year of their signature, e.g. 30 September 2017. Auditors should not date (and hence sign) the report earlier than the date on which the financial statements have been approved by those charged with governance (i.e. the authorised for issue date) and the auditor has considered all necessary available evidence.
35. Auditors should aim to date the report on the date the financial statements are authorised for issue by the proper officer. If the date on which the auditor signs the report is 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 proper officer)
 - ensure that audit procedures for reviewing subsequent events cover the period up to that date.

Address

36. ISA (UK&I) 700 requires the report to name the location of the office where the auditor is based. Auditors should give the full postal address of their office.

Positioning of the independent auditor's report

37. Although there is no specific requirement regarding the positioning of the independent auditor's report, the TSU considers it to be good practice for it to appear either immediately before or after the financial statements.
38. Auditors are encouraged to discuss this matter with local authorities and satisfy themselves that their report is positioned within the document so that it is given appropriate, but not undue, prominence.

3 Report on the audit of the financial statements

Purpose of section

39. This section provides guidance on the part of the independent auditor's report that relates to expressing an opinion on the financial statements.

Auditor's responsibilities

40. Auditors are required to express an opinion on whether the financial statements give a true and fair view and are properly prepared in accordance with the applicable financial reporting framework.

Opinion on financial statements

Financial statements

Auditors should list the financial statement they have audited, using the precise titles used by the local authority.

41. Auditors are required by ISA (UK&I) 700 to identify the financial statements that they have audited. Regulation 8(2) of *The Local Authority Accounts (Scotland) Regulations 2014* (the 2014 regulations) requires the annual accounts to include the financial statements required by proper practices, i.e. the *Code of practice on local authority accounting in the UK* (the accounting code). Charities legislation sets out the required financial statements for charities.
42. The financial statements listed in Appendices 1 to 3 are based on the requirements of, and titles used by, the 2016/17 accounting code (and charities legislation for Appendix 4).
43. In the event that an authority uses different names or includes other statements, the statements listed by auditors in the independent auditor's report should precisely match the statements and titles actually used. For example, some authorities present their trust funds as separate financial statements. In previous years, there were a number of instances where the titles used by auditors did not precisely match those used by the authority which makes it difficult for a user of the accounts to clearly understand the statements that have been audited.
44. In 2016/17, there is a new requirement for an expenditure and funding analysis (see section 11 of module 8 of [Technical guidance note 2016/10\(LA\)](#))
- Where an authority includes the analysis as a note, auditors should not specifically refer to the analysis in their report.

- Where an authority includes the analysis as a financial statement, auditors should include it in the list of statements they have audited.

Reporting framework

45. The independent auditor's report is also required by ISA (UK&I) 700 to indicate the financial reporting framework that has been applied in the preparation of the financial statements.
46. In the local authority sector, the framework is
 - for local authorities, international financial reporting standards as adopted by the European Union, and interpreted or adapted by the accounting code
 - for charity accounts prepared on an accrued basis, it is the UK accounting standard
 - for cash-based charity accounts, it is a receipts and payments basis.

Opinion on financial statements

47. ISA (UK&I) 700 requires the independent auditor's report to contain a clear written expression of opinion on the financial statements, based on the auditor evaluating whether
 - sufficient appropriate audit evidence as to whether the financial statements as a whole are free from material misstatement has been obtained
 - uncorrected misstatements are material
 - the financial statements, including the related notes, give a true and fair view.
48. As a change in 2016/17, in order to follow the structure in ISA (UK) 700, the paragraphs on the opinion on the financial statements have been relocated to the first section of the model reports.
49. Guidance on the risks of material misstatement in the financial statements is provided by the TSU in [Technical guidance note 2016/10\(LA\)](#). The guidance in the modules on the financial statement areas highlights what the TSU considers to be the main risks of misstatement in each area. It also sets out actions for each risk that auditors should undertake to assess whether the authority has followed the required accounting treatment.
50. Auditors are required to clearly state their opinion on the financial statements. An unqualified opinion should be expressed only when auditors conclude that the financial statements
 - give a true and fair view of the state of affairs for the year ended 31 March 2017, and the surplus (or deficit) for 2016/17 (or equivalent wording for authorities without groups, pension funds, and charities)
 - have been properly prepared in accordance with the applicable financial reporting framework
 - have been prepared in accordance with the requirements of relevant legislation i.e.
 - the 1973 Act, the *Local Government in Scotland Act 2003*, and the 2014 regulations
 - for charities, the *Charities and Trustee Investment (Scotland) Act 2005* and *The Charities Accounts (Scotland) Regulations 2006*.

51. Where auditors do not qualify their opinion on the financial statements, the wording in that part of Appendices 1 to 4 should be used unchanged (other than to reflect terminology used by the authority).

Basis of opinion

52. As a change in 2016/17, in order to follow the structure in ISA (UK) 700, there is a new paragraph in the model reports setting out the basis of the opinion paragraphs.
53. Where auditors do not qualify their opinion on the financial statements, the wording for the basis of opinion paragraph in Appendices 1 to 4 should be used unchanged.

Modified opinions

When auditors qualify their opinion on the financial statements, they should

- discuss the proposed qualification with the TSU
- amend the headings and wording in the opinion and basis of opinion paragraphs
- include a description of the matter giving rise to the qualification.

54. *ISA 705 (UK&I) Modifications to the opinion in the independent auditor's report* establishes three types of modified opinions, i.e. a qualified opinion, an adverse opinion, and a disclaimer of opinion. Auditors should modify their opinion when they
- conclude that, based on the audit evidence obtained, the financial statements as a whole are not free from material misstatement; or
 - are unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement.
55. Where auditors judge it necessary to express a modified opinion on the financial statements, they should change the model wording as explained in the following paragraphs.

Qualified opinion

56. Auditors should express a qualified opinion on the financial statements when
- having obtained sufficient appropriate audit evidence, they conclude that misstatements, are material, but not pervasive, to the financial statements (pervasive effects on the financial statements are those that are not confined to specific items of the financial statements or those that are fundamental to users' understanding); or
 - they 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.
57. Material misstatements may relate to

- specific amounts in the financial statements. Auditors should include in the 'basis for qualified opinion' paragraph a description and quantification of the financial effects of the misstatement (unless impracticable)
- narrative disclosures. Auditors should include in the 'basis for qualified opinion' paragraph an explanation of how the disclosures are misstated
- the non-disclosure of information required to be disclosed. Auditors should
 - describe in the 'basis for qualified opinion' paragraph the nature of the omitted information; and
 - include the omitted disclosures (unless impracticable).

58. When auditors qualify their opinion on the financial statements, they should

- amend the heading 'Opinion on financial statements' to 'Qualified opinion on financial statements'
- amend the heading 'Basis for opinion' to 'Basis for qualified opinion'
- add a new paragraph under the 'Basis for qualified opinion' heading giving a description of the matter giving rise to the qualification. The paragraph under that heading in the models should be retained
- move the 'Basis for qualified opinion' heading and both paragraphs so this is the first section of the report. This is necessary for 2016/17 because ISA (UK&I) 700 explicitly requires the description of a modification to be placed immediately before the opinion paragraph.

59. When auditors express a qualified opinion due to a material misstatement in the financial statements, they should state in the 'Qualified opinion on financial statements' paragraph that, except for the effects of the matter described in the 'Basis for qualified opinion' paragraph, the financial statements give a true and fair view.

60. Where the qualified opinion results from an inability to obtain sufficient appropriate audit evidence, auditors should

- include in the 'Basis for qualified opinion' paragraph the reasons for that inability
- state in the 'Qualified opinion on financial statements' paragraph that, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the financial statements give a true and fair view.

Other opinion options

61. In exceptional circumstances, auditors may have to express an adverse opinion on the financial statements or even disclaim an opinion.

62. Having obtained sufficient appropriate audit evidence, an auditor may conclude that misstatements are both material and pervasive to the financial statements. Where this is the case, it would be appropriate for the auditor to express an adverse opinion.

63. Auditors should state in the 'Adverse opinion on the financial statements' paragraph that, in their opinion, because of the significance of the matter described in the 'Basis for adverse opinion' paragraph, the financial statements do not give a true and fair view.
64. Auditors may have to disclaim an opinion if they 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. Auditors should
- amend the 'introductory' paragraph to state that they were engaged to audit the financial statements
 - state in the 'Disclaimer of opinion on financial statements' paragraph that because of the significance of the matter described in the 'Basis for disclaimer of opinion' paragraph, they have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion, and accordingly they do not express an opinion on the financial statements.

Respective responsibilities

65. ISA (UK&I) 700 requires the independent auditor's report to
- state that those charged with governance are responsible for the preparation of the financial statements and that the responsibility of the auditor is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs
 - explain the scope of the audit of the financial statements.
66. These requirements are met in the model reports by the paragraphs under the headings for responsibilities of the proper officer (or trustees) and auditor's responsibilities. As a change in 2016/17, in order to follow the structure and wording in ISA (UK) 700, the descriptions have been expanded.

Other information

67. ISA (UK&I) 700 requires the independent auditor's report to explain that auditors read all the financial and non-financial information in the document containing the financial statements. As a change in 2016/17, in order to follow the wording in ISA (UK) 700, a new section has been added to the models in respect of responsibility for this other information as part of the audit of the financial statements.
68. The new section explains that under the ISAs (UK&I), specifically ISA (UK&I) 720, auditors are responsible for reading the other information to identify
- material inconsistencies with the audited financial statements
 - any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by auditors in the course of performing the audit.

69. It also explains that auditors do not express any form of assurance conclusion on the other information, except on the specific matters prescribed by the Accounts Commission under the audit appointment (i.e. the opinions on the remuneration report, management commentary and annual governance statement).
70. If auditors identify that revision of the other information (other than the prescribed matters) is necessary, and the authority refuses to make the revision, auditors should report it in an 'other matter' paragraph in the independent auditor's report under *ISA (UK&I) 706 Emphasis of matter paragraphs and other matter paragraphs in the independent auditor's report*.

Other matter paragraph

When auditors consider it necessary to draw attention to matters that are relevant to users' understanding of the audit, or they identify other information that requires to be amended, they should

- **discuss the matter with the TSU**
- **include an 'other matter' paragraph.**

71. In addition to uncorrected errors in other information, an 'other matter' paragraph under ISA (UK&I) 706 should also be used when the auditor considers it necessary to draw users' attention to matters that are relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report (i.e. an 'other matter' paragraph).
72. An 'other matter' paragraph should only be used for matters not presented or disclosed in the financial statements.
73. 'Other matter' paragraphs are not the appropriate vehicle to deal with the other reporting responsibilities set out in sections 4 and 5 of this technical guidance note. However, ISA (UK&I) 706 states that an 'other matter' paragraph may be used to draw users' attention to a matter relevant to these other reporting responsibilities. Where this is the case, the 'other matter' paragraph should be located beside the reporting responsibility to which it relates.

Emphasis of matter paragraph

When auditors consider it necessary to draw attention to matters that are fundamental to users' understanding of the financial statements, they should

- **discuss the matter with the TSU**
- **include an 'emphasis of matter' paragraph in their report.**

74. ISA (UK&I) 706 also deals with additional communication in the independent auditor's report when the auditor considers it necessary to draw users' attention to matters that are fundamental to users' understanding of the financial statements (i.e. an 'emphasis of matter' paragraph).

75. An 'emphasis of matter' paragraph refers to a matter appropriately presented or disclosed in the financial statements that, in the auditor's judgment, is of such importance that it is fundamental to users' understanding of the financial statements. Auditors should
- use the heading 'Emphasis of matter', or other appropriate heading
 - include in the paragraph 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
 - indicate that the auditor's opinion on the financial statements is not modified in respect of the matter emphasised.

4 Opinions on other prescribed matters

Purpose of section

76. This section provides guidance on the paragraphs in the independent auditor's report that relate to expressing an opinion (i.e. positive assurance) on the auditable part of the remuneration report, the management commentary, and the annual governance statement.

Auditors' responsibilities

77. In accordance with adopting *Companies Act 2006* requirements as a matter of good practice, auditors are required by the Accounts Commission to express opinions within their independent auditor's report on whether
- the remuneration report has been properly prepared. See module 9 (section 3) of [Technical guidance note 2016/10\(LA\)](#)
 - the management commentary (or equivalent report) is consistent with the financial statements and as a new requirement for 2016/17, has been properly prepared in accordance with statutory guidance. See module 9 (section 2) of [Technical guidance note 2016/10\(LA\)](#)
 - as a new requirement for 2016/17, the annual governance statement is consistent with the financial statements and has been properly prepared in accordance with the good governance framework. See module 9 (section 4) of [Technical guidance note 2016/10\(LA\)](#). This also applies to the governance compliance statement for pension funds as explained in module 10 of that technical guidance note.
78. Local authorities are not required to report compliance with the *UK Corporate governance code*. If an authority makes a reference in the annual governance statement to that code, auditors should contact the TSU as this would trigger additional reporting requirements under ISA 720A.

Unqualified opinion

79. Where auditors do not qualify their opinion on any of the prescribed matters, the wording of the relevant paragraph in Appendices 1 to 4 should be used unchanged.
80. If a local authority uses different naming conventions, auditors should use terminology which precisely matches that used by the authority.

Qualified opinion

When auditors qualify their opinion on any prescribed matter, they should

- **discuss the proposed qualification with the TSU**
- **amend the heading and wording of the opinion paragraph**
- **add a basis for qualified opinion paragraph**
- **provide a description of the matter giving rise to the qualification.**

81. Any proposed qualified opinion on a prescribed matter should be discussed with the TSU in advance of finalising the auditor's report. Where auditors express a qualified opinion on any of the prescribed matters, they should
- amend the heading 'Opinion on other prescribed matters' to 'Qualified opinion on other prescribed matters'
 - add the phrase 'Except for the matter described in the Basis for qualified opinion on other prescribed matters section of [my/our] report'
 - add a section under the heading 'Basis for qualified opinion on other prescribed matters' and provide a concise description of the matter giving rise to the qualification.

5 Matters reported on by exception

Purpose of section

82. This section provides guidance on the parts of the independent auditor's report that relate to matters reported on by exception.

Overview

Auditors should report if

- **adequate accounting records have not been kept**
- **the financial statements and the auditable part of the remuneration report are not in agreement with the accounting records**
- **they have not received all the information and explanations required for the audit**
- **there has been a failure to achieve a prescribed financial objective.**

83. Where auditors are required to report on certain matters by exception, ISA (UK&I) 700 requires auditors to describe their responsibilities under the heading 'Matters on which we are required to report by exception', and incorporate a suitable conclusion (rather than opinion) in respect of such matters.
84. The Accounts Commission requires auditors to report by exception (i.e. a positive statement is not required) on the matters explained in the following paragraphs.

Accounting records

85. The *Companies Act 2006* requires the auditors of companies to report if, in their opinion,
- adequate accounting records have not been kept
 - the financial statements and the part of the remuneration report to be audited are not in agreement with the accounting records.
86. These requirements also apply to auditors of charities under relevant legislation. In accordance with adopting *Companies Act 2006* requirements as a matter of good practice, auditors are required by the Accounts Commission to also report on these matters.
87. The accounting records should comprise an orderly, classified collection of information capable of timely retrieval, containing details of the authority's transactions, assets and liabilities. The information should be organised so as to enable a trial balance to be constructed. Auditors should consider accounting records to be adequate if they are sufficient to
- show and explain the authority's transactions

- disclose with reasonable accuracy, at any time, the financial position of the authority
 - enable the proper officer to ensure that any accounts required to be prepared comply with statutory requirements.
88. 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. The weaknesses in the accounting control systems would need to be reported in the annual governance statement.

Information and explanations

89. The *Companies Act 2006* also requires the auditors of companies to report if, in their opinion, they have not received all the information and explanations required for the audit..
90. The Accounts Commission requires appointed auditors to also report in the independent auditor's report if they do not receive all the required information or explanations.

Failure to achieve a prescribed financial objective

91. Auditors are required by the Accounts Commission to report an authority's failure to achieve a prescribed financial objective.
92. Auditors are required to report any failure of a significant trading operation to break even over the three year period 2014/15 to 2016/17 in their independent auditors report as a failure to achieve a prescribed financial objective. Module 8 (section 13) of [Technical guidance note 2016/10\(LA\)](#) provides guidance for auditors.

Suitable conclusion on matters reported by exception

No modified conclusion

93. Where auditors do not modify their conclusion, they should use the wording in Appendices 1 to 4 which is 'I/we have nothing to report in respect of these matters'.

Modified conclusion

Where auditors modify their conclusion on any matter reported by exception, they should

- **discuss the proposed modification with the TSU**
- **amend the conclusion wording**
- **provide a description of the matter giving rise to the modification.**

94. Where there is a matter to report, auditors should
- modify the conclusion to 'I/We have the following to report in respect of these matters'

- provide a concise description of the matter being reported
- finish with the sentence 'I/We have nothing to report in respect of the other matters'.

95. Where the auditor expresses a modified conclusion in respect of a matter reported by exception this may also give rise to a modification of the auditor's opinion on the financial statements. For example, if adequate accounting records have not been maintained and as a result it proves impracticable for the auditor to obtain sufficient appropriate evidence concerning material matters in the financial statements, the auditor's report on the financial statements includes a qualified opinion arising from that limitation.

Appendix 1

Model independent auditor's report – councils (group)

Independent auditor's report to the members of [insert name of council] and the Accounts Commission

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Accounts Commission, [I/we] do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Report on the audit of the financial statements

Opinion on financial statements

[I/We] certify that [I/we] have audited the financial statements in the annual accounts of [insert name of council] and its group for the year ended 31 March 2017 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the [specify precisely the titles of the primary statements used by the council such as the group and council-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash-Flow Statements, the council-only Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Council Tax Income Account, and the Non-domestic Rate Account] and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the 2016/17 Code).

In [my/our] opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2016/17 Code of the state of affairs of the council and its group as at 31 March 2017 and of the surplus [or deficit] on the provision of services of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2016/17 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis of opinion

[I/We] conducted [my/our] audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). [My/Our] responsibilities under those

standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of [my/our] report. [I am/We are] independent of the council and its group in accordance with the ethical requirements that are relevant to [my/our] audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standards for Auditors, and [I/we] have fulfilled [my/our] other ethical responsibilities in accordance with these requirements. [I/We] believe that the audit evidence [I/we] have obtained is sufficient and appropriate to provide a basis for [my/our] opinion.

Responsibilities of the [insert job title of proper officer] for the financial statements

As explained more fully in the Statement of Responsibilities, the [insert job title of proper officer] is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the [insert job title of proper officer] determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statements

[My/Our] responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require [me/us] to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the council and its group and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the [insert job title of proper officer]; and the overall presentation of the financial statements.

[My/Our] objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes [my/our] opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK&I) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Other information in the annual accounts

The [insert job title of proper officer] is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements and [my/our] auditor's report thereon. [My/Our] opinion on the financial statements does not cover the other information and [I/we] do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with [my/our] audit of the financial statements in accordance with ISAs (UK&I), [my/our] responsibility is to read all the financial and non-financial information in the annual accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by [me/us] in the course of performing the audit. If [I/we] become aware of any apparent material misstatements or inconsistencies [I/we] consider the implications for [my/our] report.

Report on other requirements

Opinions on other prescribed matters

[I am/We are] required by the Accounts Commission to express an opinion on the following matters.

In [my/our] opinion, the auditable part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In [my/our] opinion, 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).

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

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

- adequate accounting records have not been kept; or
- the financial statements and the auditable part of the 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
- there has been a failure to achieve a prescribed financial objective.

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

[Signature]

[Name of individual auditor], (for and on behalf of [name of firm] - firms only)

[Full postal address]

[Full date]

Appendix 2

Model independent auditor's report – councils (non-group) and section 106 bodies

Independent auditor's report to the members of [insert name of council/body] and the Accounts Commission

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Accounts Commission, [I/we] do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Report on the audit of the financial statements

Opinion on financial statements

[I/We] certify that [I/we] have audited the financial statements in the annual accounts of [insert name of council/body] for the year ended 31 March 2017 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the [specify precisely the titles of the primary statements used by the council/body such as the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, Cash-Flow Statement, Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Council Tax Income Account, and the Non-domestic Rate Account] and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the 2016/17 Code).

In [my/our] opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2016/17 Code of the state of affairs of the [council/body] as at 31 March 2017 and of its surplus [or deficit] on the provision of services for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2016/17 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis of opinion

[I/We] conducted [my/our] audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). [My/Our] responsibilities under those

standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of [my/our] report. [I am/We are] independent of the [council/body] in accordance with the ethical requirements that are relevant to [my/our] audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standards for Auditors, and [I/we] have fulfilled [my/our] other ethical responsibilities in accordance with these requirements. [I/We] believe that the audit evidence [I/we] have obtained is sufficient and appropriate to provide a basis for [my/our] opinion.

Responsibilities of the [insert job title of proper officer] for the financial statements

As explained more fully in the Statement of Responsibilities, the [insert job title of proper officer] is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the [insert job title of proper officer] determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statements

[My/Our] responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require [me/us] to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the [council/body] and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the [insert job title of proper officer]; and the overall presentation of the financial statements.

[My/Our] objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes [my/our] opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK&I) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Other information in the annual accounts

The [insert job title of proper officer] is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements and [my/our] auditor's report thereon. [My/Our] opinion on the financial statements does not cover the other information and [I/we] do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with [my/our] audit of the financial statements in accordance with ISAs (UK&I), [my/our] responsibility is to read all the financial and non-financial information in the annual accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by [me/us] in the course of performing the audit. If [I/we] become aware of any apparent material misstatements or inconsistencies [I/we] consider the implications for [my/our] report.

Report on other requirements

Opinions on other prescribed matters

[I am/We are] required by the Accounts Commission to express an opinion on the following matters.

In [my/our] opinion, the auditable part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In [my/our] opinion, 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).

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

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

- adequate accounting records have not been kept; or
- the financial statements and the auditable part of the 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
- there has been a failure to achieve a prescribed financial objective.

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

[Signature]

[Name of individual auditor], (for and on behalf of [name of firm] - firms only)

[Full postal address]

[Full date]

Appendix 3

Model independent auditor's report – local government pension scheme pension funds

Independent auditor's report to the members of [insert name of council] as administering authority for [insert name of each pension fund] and the Accounts Commission

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Accounts Commission, [I/we] do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Report on the audit of the financial statements

Opinion on financial statements

[I/We] certify that [I/we] have audited the financial statements in the annual accounts of [insert name of each pension fund] for the year ended 31 March 2017 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the [specify precisely the titles of the primary statements used by the council such as the Fund Account(s), the Net Assets Statement(s)] and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the 2016/17 Code).

In [my/our] opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2016/17 Code of the financial transactions of the [fund/funds] during the year ended 31 March 2017 and of the amount and disposition at that date of [its/their] assets and liabilities;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2016/17 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis of opinion

[I/We] conducted [my/our] audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). [My/Our] responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of [my/our] report. [I am/We are] independent of the [fund/funds] in

accordance with the ethical requirements that are relevant to [my/our] audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standards for Auditors, and [I/we] have fulfilled [my/our] other ethical responsibilities in accordance with these requirements. [I/We] believe that the audit evidence [I/we] have obtained is sufficient and appropriate to provide a basis for [my/our] opinion.

Responsibilities of the [insert job title of proper officer] for the financial statements

As explained more fully in the Statement of Responsibilities, the [insert job title of proper officer] is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the [insert job title of proper officer] determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statements

[My/Our] responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require [me/us] to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the [fund/funds] and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the [insert job title of proper officer]; and the overall presentation of the financial statements.

[My/Our] objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes [my/our] opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK&I) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Other information in the annual accounts

The [insert job title of proper officer] is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements and [my/our] auditor's report thereon. [My/Our] opinion on the financial statements does not cover the other information and [I/we] do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with [my/our] audit of the financial statements in accordance with ISAs (UK&I), [my/our] responsibility is to read all the financial and non-financial information in the annual accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by [me/us] in the course of performing the audit. If [I/we] become aware of any apparent material misstatements or inconsistencies [I/we] consider the implications for [my/our] report.

Report on other requirements

Opinions on other prescribed matters

[I am/We are] required by the Accounts Commission to express an opinion on the following matters.

In [my/our] opinion, 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;
- 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); and
- the information given in the Governance Compliance 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 Local Government Pension Scheme (Scotland) Regulations 2014.

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

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

- adequate accounting records have not been kept; or
- the financial statements 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.

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

[Signature]

[Name of individual auditor], (for and on behalf of [name of firm] - firms only)

[Full postal address]

[Full date]

Appendix 4A

Model independent auditor's report – registered section 106 charities (accrued accounts)

Independent auditor's report to the trustees of [insert name of charity/collective name of connected charities] and the Accounts Commission

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Accounts Commission, [I/we] do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Report on the audit of the financial statements

Opinion on financial statements

[I/We] certify that [I/we] have audited the financial statements in the statement of accounts of [insert name of charity/collective name of connected charities] for the year ended 31 March 2017 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the [specify precisely the titles of the primary statements used by the council for the charity such as the Statement of Financial Activities, the Balance Sheet] and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In [my/our] opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the [charity/charities] as at 31 March 2017 and of [its/their] incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis of opinion

[I/We] conducted [my/our] audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). [My/Our] responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial

Statements section of [my/our] report. [I am/We are] independent of the [charity/charities] in accordance with the ethical requirements that are relevant to [my/our] audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standards for Auditors, and [I/we] have fulfilled [my/our] other ethical responsibilities in accordance with these requirements. [I/We] believe that the audit evidence [I/we] have obtained is sufficient and appropriate to provide a basis for [my/our] opinion.

Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of Responsibilities [delete preceding phrase if no such statement included], the trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statements

[My/Our] responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require [me/us] to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the [charity/charities] and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements.

[My/Our] objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes [my/our] opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK&I) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Other information in the statement of accounts

The trustees are responsible for the other information in the statement of accounts. The other information comprises the information other than the financial statements and [my/our] auditor's report thereon. [My/Our] opinion on the financial statements does not cover the other information and [I/we] do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission or required by applicable law to the extent explicitly stated later in this report.

In connection with [my/our] audit of the financial statements in accordance with ISAs (UK&I), [my/our] responsibility is to read all the financial and non-financial information in the statement of accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by [me/us] in the course of performing the audit. If [I/we] become aware of any apparent material misstatements or inconsistencies [I/we] consider the implications for [my/our] report.

Report on other requirements

Opinion on other prescribed matter

[I am/We are] required by the Accounts Commission to express an opinion on the following matter. In [my/our] opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual 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 Charities SORP (FRS 102).

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

[I am/We are] required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in [my/our] opinion:

- proper accounting records have not been kept; or
- the financial statements 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.

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

[Signature]

[Name of individual auditor], (for and on behalf of [name of firm] - firms only)

[Full postal address]

[Full date]

[insert name of auditor] is eligible to act as an auditor in terms of [insert either section 1212 of the Companies Act 2006 (for applicable firms)/Part VII of the Local Government (Scotland) Act 1973 (for Audit Scotland staff and firms where auditor is not eligible under the Companies Act)]

Appendix 4B

Model independent auditor's report – registered section 106 charities (receipts and payments accounts)

Independent auditor's report to the trustees of [insert name of charity/collective name of connected charities] and the Accounts Commission

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Accounts Commission, [I/we] do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Report on the audit of the financial statements

Opinion on financial statements

[I/We] certify that [I/we] have audited the financial statements in the statement of accounts of [insert name of charity/collective name of connected charities] for the year ended 31 March 2017 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the [specify precisely the titles of the primary statements used by the council for the charity such as the Statement of Receipts and Payments, the Statement of Balances] and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and a receipts and payments basis.

In [my/our] opinion the accompanying financial statements:

- properly present the receipts and payments of the [charity/charities] for the year ended 31 March 2017 and [its/their] statement of balances at that date; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulations 9(1),(2) and (3) of The Charities Accounts (Scotland) Regulations 2006.

Basis of opinion

[I/We] conducted [my/our] audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). [My/Our] responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of [my/our] report. [I am/We are] independent of the [charity/charities] in accordance with the ethical requirements that are relevant to [my/our] audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standards for Auditors, and [I/we] have fulfilled [my/our] other ethical responsibilities in accordance with

these requirements. [I/We] believe that the audit evidence [I/we] have obtained is sufficient and appropriate to provide a basis for [my/our] opinion.

Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of Responsibilities [delete preceding phrase if no such statement included], the trustees are responsible for the preparation of financial statements which properly present the receipts and payments of the [charity/charities], and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statements

[My/Our] responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require [me/us] to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the [charity/charities] and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements.

[My/Our] objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes [my/our] opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK&I) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Other information in the statement of accounts

The trustees are responsible for the other information in the statement of accounts. The other information comprises the information other than the financial statements and [my/our] auditor's report thereon. [My/Our] opinion on the financial statements does not cover the other information and [I/we] do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission or required by applicable law to the extent explicitly stated later in this report.

In connection with [my/our] audit of the financial statements in accordance with ISAs (UK&I), [my/our] responsibility is to read all the financial and non-financial information in the statement of accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by [me/us] in the course of performing the audit. If

[I/we] become aware of any apparent material misstatements or inconsistencies [I/we] consider the implications for [my/our] report.

Report on other requirements

Opinion on other prescribed matter

[I am/We are] required by the Accounts Commission to express an opinion on the following matter. In [my/our] opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual 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 Charities Accounts (Scotland) Regulations 2006.

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

[I am/We are] required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in [my/our] opinion:

- proper accounting records have not been kept; or
- the financial statements 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.

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

[Signature]

[Name of individual auditor], (for and on behalf of [name of firm] - firms only)

[Full postal address]

[Full date]

[insert name of auditor] is eligible to act as an auditor in terms of [insert either section 1212 of the Companies Act 2006 (for applicable firms)/Part VII of the Local Government (Scotland) Act 1973 (for Audit Scotland staff and firms where auditor is not eligible under the Companies Act)]

Appendix 5

Auditor action checklist

	Yes/No/N/A	Initials/date	W/P ref
1 Have you used the correct model for the circumstances of the council, body, fund or charity?			
2 Have you presented the reports in the correct person (i.e. singular for Audit Scotland staff, plural for firms)?			
3 Have you inserted the correct name according to the circumstances of the pension fund/charity?			
4 Have you used the correct job title in all the references to the proper officer?			
5 Have you specified precisely the titles of the primary statements used by the body?			
6 Have you amended the names of the other reports to reflect the actual titles used by the body?			
7 Have you discussed any proposed modifications to audit opinions or conclusions, or ISA 706 paragraphs, with the TSU?			
8 Have you discussed any other proposed amendments to the model wording with the TSU?			

		Yes/No/N/A	Initials/date	W/P ref
9	<p>Have you</p> <ul style="list-style-type: none"> signed and dated the report on or after the authorised for issue date? signed the report on behalf of the firm (firms only)? given the full date and postal address? satisfied yourself that the independent auditors report is appropriately located within the annual accounts? 			

Appendix 6

Model auditor's report – summary financial statements

Independent auditor's report to the members of [insert name of council] as administering body for [insert name of each pension fund] on the summary financial statements

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Accounts Commission, [I/we] do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Opinion

The summary financial statements, which comprise the [specify names of summary financial statements] and related notes, are derived from the audited financial statements of [insert name of each pension fund] for the year ended 31 March 2017.

In [my/our] opinion the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements.

Summary financial statements

The summary financial statements do not contain all the disclosures required by applicable law and International Financial Reporting Standards as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17. Reading the summary financial statements is not a substitute for reading the audited financial statements, and the auditor's report thereon. The summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of [my/our] report on the audited financial statements.

The audited financial statements and [my/our] report thereon

[I/We] expressed an unmodified audit opinion on the audited financial statements in [my/our] report dated [insert date of independent auditor's report].

The [insert job title of proper officer] responsibility for the summary financial statements

The [insert job title of proper officer] is responsible for the preparation of the summary financial statements.

Auditor's responsibility for the summary financial statements

[My/Our] responsibility is to express an opinion on whether the summary financial statements are consistent in all material respects with the audited financial statements based on [my/our]

procedures which were conducted in accordance with the approach set out in Audit Scotland's technical guidance note 2016/10(LA).

[Signature]

[Name of auditor]

[Full postal address]

[Full date]