

# **Auditor assurance on 2017/18 whole of government accounts returns (central government)**

## **Technical guidance note 2018/7(CG)**



 **AUDIT SCOTLAND**

Prepared for appointed auditors in the central government sector

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# Overview

Key points on this return		
<b>Description of return</b>		
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.		
Return reference	Deadline to auditors	Auditor submission deadline
WGA 2017/18	3 August 2018	28 September 2018
<b>Risk areas</b>		
<ol style="list-style-type: none"> <li>1 Inconsistent classification between the financial statements and the data collection tool.</li> <li>2 Transactions and balances are inconsistently reported compared to the prior year.</li> <li>3 Incomplete or incorrect elimination of intra-government transactions.</li> </ol>		
<b>Email address for submission</b>		
<a href="mailto:wgareturns@nao.gsi.gov.uk">wgareturns@nao.gsi.gov.uk</a>		
Technical guidance note publication date and relevant year	Professional Support contact points	
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# 1 Introduction

## Purpose of technical guidance note

1. The purpose of this technical guidance note from Audit Scotland's Professional Support is to provide external auditors appointed by the Auditor General for Scotland with guidance on reviewing and reporting on the 2017/18 whole of government accounts (WGA) returns of central government bodies.
2. Appointed auditors are required by the [Code of audit practice](#), as part of their audit appointment, to review and report on WGA returns prepared by audited bodies.
3. Auditors are required to report the results of their review in an assurance statement. The review and reporting process performed by auditors is therefore described as auditor assurance.

### Extract from the code of audit practice

#### Other outputs

101. The following other outputs may require to be produced in the course of audits:

- Assurance statements for whole of government account returns.

102. These other outputs are to be prepared in accordance with the appropriate Technical Guidance Notes produced by Audit Scotland.

4. The approach set out in this technical guidance note has been agreed with the National Audit Office (NAO) as group auditor for WGA and is based on their *Group audit instructions*
5. The NAO has prescribed a threshold for auditor assurance of £500 million for 2017/18. 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.
6. Testing and other procedures that auditors are required to undertake in respect of providing assurance to the NAO on 2017/18 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 2017/18

7. The changes in the content of this technical guidance note compared with 2017/18 are as follows
  - The threshold for auditor assurance has increased from £350 million to £500 million.

- The threshold for minor body status has increased from £10 million to £20 million.
- Fieldwork tests 4 (reporting threshold) and 8 (accuracy) have been removed, with some consequent renumbering to tests 5 to 7 (now 4 to 6).
- There is minor rewording to fieldwork tests 4 and 6, and test 5 is now focussed on the process for ensuring CPID completeness and accuracy.
- The requirement to submit the ISA (UK) 260 report no longer applies.

## WGA bodies

8. HM Treasury requires government departments in England to consolidate their arms-length bodies with their own information. It has provided [guidance](#) for bodies on the preparation of the WGA returns. The Treasury refers to itself in its guidance as the primary consolidator, and the departments as sub-consolidators.
9. Most public bodies are required to complete and submit a WGA return. 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 2017/18. Each WGA body is allocated by the Treasury a counter-party identification (CPID) code.
10. Bodies that the Treasury define as minor do not have to provide information. To qualify for minor body status, bodies are required to be below £20 million for gross annual expenditure and income during 2017/18, and for gross assets and liabilities at 31 March 2018 (increased from £10 million for previous years). The [CG-03 Confirmation of minor body status](#) form is used to confirm minor bodies.

## WGA in Scotland

11. Although there is no sub-consolidation of Scottish bodies, the Scottish Government has agreed to provide Treasury with equivalent information. Scottish bodies have been advised by the Scottish Government to follow the Treasury guidance for bodies in England. 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.

## Data collection tool

12. The return used to collect WGA data is an Excel document known as the data collection tool (DCT).
13. 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.

14. 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.
15. The preparation of the DCTs and provision of auditor assurance is an eight step process undertaken using the 'Instruction' worksheet in the DCT
  - Steps 1 to 3 involve data input and validation of the DCTs by bodies.
  - At step 4 the body 'locks' the DCT which is submitted to auditors (for their review) and to the Scottish Government (for uploading to OSCAR).
  - Steps 5 to 8 involve making adjustments identified by auditor testing and submission of the DCT (explained further in section 3).

## Balances and transactions with other WGA bodies

16. The area of identifying 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.
17. 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.
18. The basic principle is that central government 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.
19. 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.
20. 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.
21. The elimination process is automated in OSCAR and works on a number of match relationships, which 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.

## Professional Support contact points

22. The contacts in Professional Support for this technical guidance note are

- Paul O'Brien, Senior Manager (Professional Support) - 0131 625 1795 or [pobrien@audit-scotland.gov.uk](mailto:pobrien@audit-scotland.gov.uk).
- Tim Bridle, Manager (Professional Support) - 0131 625 1793 or [tbridle@audit-scotland.gov.uk](mailto:tbridle@audit-scotland.gov.uk).

# 3 Auditor assurance overview

## Introduction

23. The audit responsibilities in respect of Scottish bodies are summarised in the following table:

Party	Responsibilities
Comptroller and Auditor General	Auditor of WGA overall
NAO	Group auditor acting on behalf of the Comptroller and Auditor General Responsible for the overall WGA audit approach, including the production of <i>Group audit instructions</i>
Professional Support	Interpreting the NAO's instructions for a Scottish context Providing guidance to appointed auditors in Scotland
Appointed auditors of bodies (over the £500 million threshold)	Completing the required planning procedures (see section 4) Completing the gateway and fieldwork test procedures (see sections 5 and 6) Making judgements on the accuracy of the information within the DCT, and obtaining the body's agreement regarding any adjustments that are required (see section 7) Reporting the results on completion of the review in an assurance statement submitted to the NAO (see section 7)
Appointed auditors of bodies (below the £500 million threshold) - not minor bodies	Responsible for carrying out planning procedure 1, and completing the first section of the assurance statement and submitting it to the NAO.
Appointed auditors of bodies (below the £500 million threshold) - minor bodies	No responsibilities.

24. 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).

## Auditor assurance focus

25. 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.
26. 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.

## Process overview

27. Auditors should expect to receive the draft DCT from the body by 3 August 2018. An overview of the auditor assurance process for bodies over the threshold 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 back to auditors.
  - Once auditors complete their review, they lock the DCT.

# 4 Planning procedures

## Introduction

28. There are a number of procedures which auditors should carry out when planning the review of the DCT.
29. The planning procedures for 2017/18 are discussed in the following paragraphs.

## Planning procedure 1 - Requirement for review

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

30. 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 £500 million (increased from £350 million in 2016/17). This should be based on consolidated financial statements, where applicable.
31. No review is required for bodies below the threshold but auditors are required to complete lines 24 to 27 and 45 to 49 of the assurance statement. This includes explicit confirmation at line 49 that a review is not required. The partially completed assurance statement should then be submitted to the NAO (other than for minor bodies) by emailing [wgareturns@nao.gsi.gov.uk](mailto:wgareturns@nao.gsi.gov.uk).
32. The remaining content of this technical guidance note applies only to bodies above the threshold.

## Planning procedure 2 - ISA (UK) 600 declarations

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

33. The NAO is required to comply with *ISA 600 (UK) 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.
34. 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.
35. 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.

### Planning procedure 3 - Materiality

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

36. Materiality for the review of the DCT should normally 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**

37. Significant risks that have been highlighted in the NAO's group audit instructions are summarised in the following table:

Significant risk	Further comment
The financial information is inconsistent between the financial statements and the DCT	Information in the DCT needs to be mapped from a body's financial statements to the disclosures in the DCT. Any mismapping could be a classification error in WGA.
Financial information is 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
CPIDS are incomplete or otherwise materially inaccurate	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.

38. 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.
39. Auditors should also consider significant risks identified for the audit of the financial statements and consider whether they should lead to additional testing procedures. 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**

40. 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

42. Gateway tests are simple initial checks to assess whether the fieldwork tests should commence.
43. 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 2017/18 are discussed in the following paragraphs.

## Gateway test 1 - Information

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

44. The information that auditors should expect to receive from the body is
  - the locked DCT
  - an accompanying [CG-04 Management review checklist](#).
45. 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.
46. 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.
47. Where the quality of the DCT or supporting information is poor, auditors should document their judgement as to whether or not to commence their review. Information should be reported at lines 65 to 68 of the assurance statement.

## Gateway test 2 - Validations

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

- **confirm that there are no 'hard' validation errors shown**
- **assess whether the explanations for 'soft' validation failures are consistent with their knowledge of the body**

48. 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.
49. The DCT contains 'hard' and 'soft' validation checks to ensure it has been properly prepared as explained in the following table:

	<b>'Hard' validations</b>	<b>'Soft' validations</b>
Explanation	Control critical data such as ensuring that the accounts balance	Review expected relationships within the DCT
Indication of failure	Failures shown as a red cell in the relevant worksheet	Failures are shown as an orange cell in the relevant worksheet
Impact of failure	Prevents the DCT from being uploaded to OSCAR.	Does not prevent the DCT from being uploaded, but the body will have to input explanations into the relevant worksheet
Auditor response	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.	If the explanations are inconsistent with the auditor's knowledge of the body, the DCT should be returned. NB The explanations for 'soft' validations are deleted each time the validation macro is run. Bodies should save explanations into a separate worksheet so they can be easily copied if deleted.



# 6 Fieldwork tests

## Introduction

50. Once the gateway tests have been passed, auditors should proceed to the fieldwork tests. The fieldwork tests for 2017/18 are set out and discussed in the following paragraphs.

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

**Auditors should assess whether the DCT agrees to the financial statements by**

- **reconciling the primary statements and notes in the DCT line by line to the financial statements**
- **reviewing the financial statements to confirm that all disclosures required in the DCT are complete**
- **investigate variances through discussion with the body and review of evidence**
- **check that the mapping in 2017/18 is consistent with, or an improvement on, the mapping used for 2016/17**
- **confirm that a retrospective restatement has been made, where required**

51. Bodies are required to populate the template worksheets using information in their 2017/18 financial statements so that a trial balance can be compiled. 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.
52. 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).
53. The transferal of transactions and balances from the financial statements to the DCT is referred to as 'mapping'. The mapping process should have been subject to management review. If figures do not reconcile easily, auditors should examine the body's working papers that support their mappings.

54. 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).
55. 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.
56. 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.
57. Auditors are required to confirm the consistency of mapping between 2016/17 and 2017/18. Any change should result in better quality information. A consequent retrospective restatement may be required.
58. Auditors should report in the 'Reconciliation of DCT to published accounts' section of the assurance statement
- any unresolved inconsistencies in mapping between the DCT and the financial statements (at line 73)
  - whether the mapping in the 2017/18 DCT is consistent with 2016/17 (at line 74).

## Fieldwork test 2 - Opening balances

### Auditors should assess whether

- **the pre-populated opening balances in the 2017/18 DCT agree to the closing balances in the 2016/17 DCT**
- **restatements of the opening balances have been correctly classified**
- **the final (restated) opening balances in the 2017/18 DCT are consistent with the comparative figures in the 2017/18 audited financial statements**

59. After the body has entered its CPID, the 'Body BF balance' worksheet is automatically populated with data from the final locked DCT for 2016/17.

60. Auditors are required to confirm that the 2016/17 data has been correctly carried forward on tabs 'CP-SOFP' and 'CP-SOCI'. The brought forward figures require to be reviewed to confirm they reconcile to the closing submission for that year.
61. 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 (at line 75). 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 3 - Additional information

#### Auditors should assess whether

- **the additional information worksheets within the DCT have been completed and are based on relevant financial statement disclosures where possible**
- **where additional information has been based on other sources, the source is reasonable and supports the information given (this should be noted on the assurance statement)**

62. 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, where possible. 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. Auditors should report their view in the 'Reconciliation of DCT to published accounts' section of the assurance statement (at line 76).
63. In some cases, sources other than the financial statements may have to be used. Auditors should assess the reasonableness of the source, confirm that it supports the additional information, and note this on the assurance statement at line 77.
64. 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 (at line 77) if the impact of intra-group items within any of the additional information is more than £20 million.

## Fieldwork test 4 - CPID common mistakes

**Auditors should review the 'i.CPID\_Transactions' sheet to assess whether**

- the body has made any common CPID omissions or mistakes
- the body has identified and reported CPIDs on an accruals basis
- where CPIDs are reported for the 'SOFP' sheet, there is a corresponding CPID for the 'SOCl' sheet, and vice versa, if appropriate
- the signage of CPIDs is the correct way round
- amounts have been entered in £000s

65. Auditors should use their knowledge of the body to check that all expected 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).
66. 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 5 - CPID audited body process

**Auditors should assess whether the body has a reasonable process in place for ensuring CPIDS are complete and accurate**

67. Auditors should document and assess the body's process for ensuring the completeness and accuracy of CPID transactions and the work undertaken to clear any mismatches.
68. Where the assessment identifies weaknesses in the process or other issues, auditors should consider making recommendations for improvement to the body.

## Fieldwork test 6 - CPID completeness

**Auditors should assess whether all expected CPIDs have been reported by**

- using their knowledge of the body and information contained in the annual accounts
- comparing CPIDs reported for 2017/18 with CPIDs reported in 2016/17 to identify any incomplete CPIDs
- considering any grant certification work that has been carried out

- **where considered appropriate, using the matches report for evidence of any under-reported or incomplete CPIDs**

69. Auditors are required to use their judgement to conclude as to whether the CPID transactions are materially complete, and report their conclusion in the 'Reporting of intra group transaction streams and balances' section (at line 84).
70. In order to ensure that intra-group transaction streams and balances are completely and accurately reported, CPIDs reported for the balance sheet and for the comprehensive income and expenditure statement 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 management commentary, and not restrict their consideration to disclosures in the financial statements.
71. Intra-government transaction streams and balances should be fully allocated to CPIDs within the DCT. Relevant transactions and balances in the annual accounts include
  - any notes that detail recipients of funding or contributors of funding
  - the payables and receivables intra-government notes which detail with whom balances are held
  - sections of narrative which reveal relationships with other WGA bodies.
72. Auditors should note any unresolved variances in the assurance statement in the 'Reporting of intra group transaction streams and balances' section (at line 83).
73. For WGA purpose, CPID transactions should be reported on a gross basis. Where errors are found between income and expenditure, they should not be netted off. The total error should be the total income plus the total expenditure error.
74. Auditors should confirm that CPIDs reported for 2016/17 are also reported for 2017/18 or establish the reason where this is not the case. Auditors should use grant certification work they have carried out to check specific grant balances.
75. 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.
76. Although potentially a useful tool, 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 the use of the matches report 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).

77. 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.
78. Guidance on how to interpret the matches report is included in Annex D 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 a 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.
79. 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.
80. The NAO will provide matches reports to Professional Support who will then make them available to auditors.

## Fieldwork test 8 - CPID accuracy

**Auditors should check that the CG-01 form agreement process has been followed**

81. 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.
82. 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.
83. 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.

84. Where year-end balances or in-year transactions with other central government bodies are over £5 million, auditors should
- assess whether the CG-01 agreement process has been followed
  - for a sample of CG-01 forms, confirm that the value of balance/transaction has been agreed with the other body or that any mismatch has been reported to the Scottish Government
85. Auditors should report in the 'Reporting of intra group transaction streams and balances' section of the assurance statement (at line 85) whether all intra-group transactions and balances above £5 million have been agreed with relevant counter-parties.

# 7 Completion procedures

## Introduction

86. There are a number of steps in the completion process that cannot be 'rolled back' if undertaken incorrectly. The NAO recommends that auditors 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

87. 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.
88. 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). Unadjusted errors from the audit of the financial statements reported to those charged with governance should also be included in the schedule. The requirements for reporting of unadjusted errors in the schedule are summarised in the following table:

Error value	Reporting requirements	Signing off
Total DCT errors < £1M	Complete schedule as a 'nil return'	Auditor sign off
Total DCT errors > £1M	Report the unadjusted errors Record the journal entries required to correct the errors	Auditor and body's consolidation manager sign off
Individual financial statement error > £5M	Report the unadjusted errors separately	
Individual financial statement error < £5M	Aggregate the unadjusted errors into one line	



## Completion procedure 2 - Validation of adjustments

**Auditors should confirm that agreed adjustments have been made by the body**

89. 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 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).
90. 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).
91. Once step 7 has been clicked, bodies should have passed the DCT back to auditors.

## Completion procedure 3 - Locking DCT

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

92. 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.
93. After auditors have locked the DCT, it should be passed back to the body for submission to the Scottish Government by 28 September 2018.
94. It will not be possible to upload any DCTs to OSCAR after 24 October and therefore it is important that auditors encourage their bodies to submit their information to the Scottish Government on time.

## Completion procedure 4 - Assurance statement

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

95. The NAO produces the assurance statement proforma, but Professional Support has agreed amendments with the NAO to make the wording more applicable to Scottish bodies. The 2017/18 assurance statement to be used accompanies this technical guidance note.

96. 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.
97. 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.
98. Guidance on completing the assurance statement is provided in the following table:

Assurance statement
<b>Reportable information</b> (lines 22 to 52)
<p>The information required includes</p> <ul style="list-style-type: none"> <li>• the name and CPID of the body</li> <li>• the opinion on the financial statements, details of any modifications, information on the accounting framework, and the materiality level used for the audit. Where auditors use a different level for materiality compared with that used for the audit of the body's financial statements, an explanation is required to be included in the assurance statement at line 33</li> <li>• certain key values from the financial statements, and confirmation as to whether the DCT is above the threshold</li> <li>• a reasonable estimate of the cost of delivering the assurance review. This is trying to capture the cost to the public sector and therefore should be an estimate of costs incurred for ASG staff but, in the case of private firms, should be the fees charged.</li> </ul>
<b>Approach</b> (lines 38 to 61)
<p>In order to demonstrate compliance with ISA (UK) 600, where the DCT is above the certification threshold, auditors are required to confirm that they</p> <ul style="list-style-type: none"> <li>• undertook the review of the DCT in accordance with this technical guidance note</li> <li>• have an understanding of the guidance issued by the Treasury for WGA</li> <li>• possess the skills and experience necessary to perform the review of the DCT</li> <li>• will co-operate with the NAO and provide them with access to relevant documentation</li> <li>• understand that the NAO may evaluate their work.</li> </ul> <p>Other information required includes</p> <ul style="list-style-type: none"> <li>• certain key values from the financial statements, and confirmation as to whether the DCT is above the threshold</li> </ul>

<b>Assurance statement</b>
a reasonable estimate of the cost of delivering the assurance review. This is trying to capture the cost to the public sector and therefore should be an estimate of costs incurred for ASG staff but, in the case of private firms, should be the fees charged.
<b>Timetable</b> (lines 63 to 68)
Auditors should record if the body did not provide an acceptable DCT in accordance with the agreed timetable and any implications of that delay.
<b>Reconciliation of DCT to published accounts</b> (lines 71 to 77) and <b>Reporting of intra-group transaction streams and balances</b> (lines 79 to 86)
Auditors should record a summary of the key findings and judgements from the review.
<b>Other matters/key judgements made in the audit of the accounts</b> (lines 88 to 92)
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. This may include a material fraud, significant disagreements with management, or other issues that may be significant to WGA overall.
<b>Auditor submissions</b> (lines 94 to 100)
Auditors should confirm submission of the required information as explained at completion procedure 5.
<b>Auditor's report to the C&amp;AG</b> (lines 102 - 124)
<p>Auditors should report their conclusions from their review in the 'Auditor's report to the C&amp;AG' section in the assurance statement. The conclusions are in two parts, i.e. whether</p> <ul style="list-style-type: none"> <li>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</li> <li>the counterparty information reported in the DCT is complete and accurate in all material respects.</li> </ul> <p>When assessing the level of error against materiality, unadjusted errors from the financial statements audit should be added to errors in the DCT identified in the fieldwork tests to arrive at a total WGA error.</p> <p>The following options are provided in the assurance statement, and auditors should select which conclusion best fits each part</p> <ul style="list-style-type: none"> <li>Agree: akin to unmodified audit opinions on the financial statements. This should be used when the DCT contains no errors.</li> <li>Agree - immaterial errors: also akin to an unmodified audit opinion on the financial statements. This should be used when the DCT contains immaterial errors.</li> <li>Disagree - due to material errors: akin to a qualified opinion. This should be used where the DCT is materially misstated, but this is limited to specific areas that can be quantified or ring-fenced.</li> </ul>

Assurance statement
<ul style="list-style-type: none"> <li>Disagree: akin to an adverse opinion or disclaimer of opinion. This 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 Professional Support as soon as possible if this option is being considered seriously.</li> </ul>
Other information (lines 137 to 140)
Auditors should report any other matters that the NAO should be aware of.
Sign off (lines 143 to 147)
The assurance statement requires a signature at line 145. It is sufficient for the name of the auditor signing off the statement to be typed. Although the line refers to a 'director', it should normally be the name of the Assistant Director or Partner given at line 53, but the name of the Manager given at line 54 is acceptable.

## Completion procedure 5 - Submission

**Auditors should submit the locked DCT and completed assurance statement to the NAO using the required naming convention by 28 September 2018**

99. Auditors should submit the following documents by 28 September 2018 to [wqareturns@nao.gsi.gov.uk](mailto:wqareturns@nao.gsi.gov.uk)
- Locked DCT, where a review has been carried out (excel).
  - Completed assurance statement (including the unadjusted errors schedule)(excel).
100. 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 and SFC075\_Scottish Funding Council\_DCT
  - the subject line of the emails attaching the required submissions using the format CPID\_Name of audited body, e.g. SFC\_Scottish Funding Council..
101. Auditors are no longer required to submit the ISA 260 report or a scanned, signed version of the assurance statement.
102. In order to allow Professional Support access to the information in the returns for database purposes, ASG staff should store the locked DCT in the appropriate body's 'Financial audit - outputs' library on ishare, and firms should send it (in addition to the NAO) to [outputs@ishare.audit-scotland.gov.uk](mailto:outputs@ishare.audit-scotland.gov.uk).

## Completion procedure 6 - Management report

**Auditors should consider the need for a management report on the WGA assurance process**

103. Where significant errors and weaknesses have been detected as part of the WGA review, auditors should consider the need to report findings to the body's senior management.
104. Where a specific management report is prepared, auditors should provide a copy to the NAO.

# 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 (UK) 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 assessed whether 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 <ul style="list-style-type: none"> <li>confirmed there are no 'hard' validation errors shown?</li> <li>assessed whether 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
<p>1 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 disclosures required in the DCT are complete?</li> <li>• investigated variances through discussion with the body and review of evidence?</li> <li>• checked the mapping in 2017/18 is consistent with, or an improvement on, the mapping used for 2016/17?</li> <li>• confirmed a retrospective restatement has been made, where required?</li> </ul>			
<p>2 Have you assessed whether</p> <ul style="list-style-type: none"> <li>• the pre-populated opening balances in the 2017/18 DCT agree to the closing balances in the 2016/17 DCT?</li> <li>• restatements of the opening balances have been correctly classified?</li> <li>• the final (restated) opening balances in the 2017/18 DCT are consistent with the comparative figures in the 2017/18 audited financial statements?</li> </ul>			
<p>3 Have you assessed whether</p> <ul style="list-style-type: none"> <li>• all additional information worksheets within the DCT have been completed and are based on the relevant financial statements disclosures where possible?</li> <li>• where additional information has been based on other sources, the source is reasonable and supports the information given?</li> </ul>			
<p>4 Have you reviewed the 'i.CPID_Transactions' sheet to assess whether</p> <ul style="list-style-type: none"> <li>• the body has made any common CPID omissions or mistakes?</li> </ul>			

Fieldwork tests	Yes/No/N/A	Initials/date	W/P ref
<ul style="list-style-type: none"> <li>the body identified and reported CPIDs on an accruals basis?</li> <li>the CPIDs reported for the balance sheet correspond to those reported for the comprehensive income and expenditure statement, if appropriate?</li> <li>the signage of CPIDs is the correct way round?</li> <li>amounts have been entered in £000s?</li> </ul>			
5 Have you assessed whether the body has a reasonable process for ensuring CPIDs are complete and accurate?			
6 Have you assessed whether all CPIDs have been reported by <ul style="list-style-type: none"> <li>using your knowledge of the body and information contained in the annual accounts?</li> <li>comparing CPIDs reported for 2017/18 with CPIDs reported in 2016/17 to identify any incomplete CPIDs?</li> <li>confirming that specific grant balances identified in the DCT agree with any grant certification work that has been performed?</li> <li>considering the use of the matches report for any under-reported or incomplete CPIDs?</li> </ul>			

Completion procedures	Yes/No/N/A	Initials/date	W/P ref
1 Have you <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 Have you confirmed that agreed adjustments have been made by the body?			



Completion procedures	Yes/No/N/A	Initials/date	W/P ref
3 Have you <ul style="list-style-type: none"><li>locked the final version of the DCT?</li><li>passed the final locked DCT to the body?</li></ul>			
4 Have you completed and signed the assurance statement?			
5 Have you submitted the locked DCT and completed assurance statement to the NAO using the required naming convention by 28 September 2018?			

# 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 Professional Support's *Technical reference library*.

- [Whole of government accounts central government guidance 2017/18](#)
- [2017/18 management review checklist](#)
- [2017/18 WGA CPID list](#)

Auditors may also have to refer to the NAO's *2017/18 Group audit instructions*.