

# **2018/19 independent auditor's reports (health boards)**

**Technical guidance note  
2019/3(H)**



Prepared for appointed auditors in the health sector  
25 February 2019

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

<b>1</b>	<b>Introduction .....</b>	<b>5</b>
	Purpose of technical guidance note.....	5
	Contact point .....	5
<b>2</b>	<b>Overview .....</b>	<b>6</b>
	Changes in 2018/19 .....	6
	Summary of model reports .....	6
	Structure of model reports .....	6
	Changes to model wording.....	8
	Signing and dating.....	9
<b>3</b>	<b>Report on the audit of the financial statements .....</b>	<b>11</b>
	Opinion on financial statements.....	11
	Additional public interest entity wording.....	13
	Conclusions relating to going concern basis of accounting.....	14
	Other information in the annual report and accounts .....	15
<b>4</b>	<b>Report on regularity of expenditure and income .....</b>	<b>16</b>
	Auditors' responsibilities .....	16
	Qualified opinion on regularity .....	16
<b>5</b>	<b>Opinion on matters prescribed by Auditor General.....</b>	<b>17</b>
	Auditors' responsibilities .....	17
	Qualified opinion on prescribed matter .....	17
<b>6</b>	<b>Matters reported on by exception .....</b>	<b>18</b>
	Auditors' responsibilities .....	18
	Accounting records.....	18
	Failure to achieve a prescribed financial objective.....	18
	Modified conclusion.....	19
<b>7</b>	<b>Emphasis of matter/other matter paragraphs .....</b>	<b>20</b>
	Auditors' responsibilities .....	20
	Matter to be reported.....	20
<b>8</b>	<b>Assurance statement on consolidation templates .....</b>	<b>22</b>
	Auditors' responsibilities .....	22

---

Test procedures .....	22
Reporting procedures.....	22
<b>Appendix 1 .....</b>	<b>24</b>
Model independent auditor’s report – health boards (group).....	24
<b>Appendix 2 .....</b>	<b>28</b>
Model independent auditor’s report – health boards (board-only) .....	28
<b>Appendix 3 .....</b>	<b>32</b>
Auditor action checklist.....	32
<b>Appendix 4 .....</b>	<b>34</b>
Assurance statement on consolidation templates.....	34
<b>Appendix 5 .....</b>	<b>35</b>
Auditor action checklist (Consolidation templates).....	35

# 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 model independent auditor's reports for the 2018/19 annual report and accounts of health boards.
2. Appointed auditors are required by the *Code of audit practice* to prepare their independent auditor's reports in accordance with this technical guidance note:

### Extract from the code of audit practice

#### Independent auditor's reports

**94.** The independent auditor's report must set out the results of the appointed auditor's work on the financial statements in accordance with the Technical Guidance Note on model independent auditor's reports that is prepared annually by Audit Scotland.

3. The model independent auditor's reports set out at Appendices 1 and 2 of this technical guidance note comply with *ISA (UK) 700 Forming an opinion and reporting on financial statements*. The models are consistent with illustrative examples issued by the Financial Reporting Council but tailored to reflect health sector legislation and augmented by the reporting requirements of the Auditor General.
4. Auditors should complete for each report the checklist at Appendix 3 which provides a list of the key auditor actions set out in this technical guidance note.
5. This technical guidance note also provides an assurance statement for the consolidation schedules at Appendix 4.

## Contact point

6. The contact point in Audit Scotland's Professional Support for this technical guidance note is Paul O'Brien ([pobrien@audit-scotland.gov.uk](mailto:pobrien@audit-scotland.gov.uk) or 0131 625 1795).

Audit Scotland makes no representation that legal guidance is correct. Points of law 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.

# 2 Overview

## Changes in 2018/19

7. The model independent auditor's reports for 2018/19 have been changed to:
- reflect the additional wording that ISA (UK) 700 requires for public interest entities
  - highlight that risks of material misstatement and conclusions on wider scope responsibilities are reported in the annual audit report
  - clarify that the *Code of audit practice* requires compliance with international standards on auditing
  - move the 'Bannerman' paragraph to the end of the report.

## Summary of model reports

**Auditors should use the correct model report that applies to the board's circumstances.**

8. Separate model independent auditor's reports have been provided to be used depending on whether a health board has prepared group accounts:

Appendix	Use for
1	Group accounts
2	Health board-only accounts

## Structure of model reports

9. The structure of the model reports, and guidance on each part, are summarised in the following table:

Part of model reports	Guidance
Title	<p>ISA (UK) 700 requires the auditor's report to have a title that clearly indicates that it is the report of an independent auditor.</p> <p>The title 'independent auditor's report' should be used as this complies with that requirement and also clearly distinguishes it from other required reports, such as the annual audit report.</p>

Part of model reports	Guidance
Addressees	<p>ISA (UK) 700 also requires the independent auditor's report to be addressed based on the circumstances of the audit appointment.</p> <p>The independent auditor's report should therefore be addressed to the members of the health board, the Auditor General for Scotland and the Scottish Parliament.</p>
Report on the audit of the financial statements	<p>This part of the report includes the opinion on the financial statements. It also has paragraphs on:</p> <ul style="list-style-type: none"> <li>• the basis for that opinion</li> <li>• conclusions relating to the going concern basis of accounting</li> <li>• responsibilities of the Accountable Officer and auditors for the financial statements</li> <li>• other information in the annual report and accounts.</li> </ul> <p>Guidance is provided in section 3 of this technical guidance note.</p>
Report on regularity of expenditure and income	<p>This part sets out the opinion on the regularity of expenditure and income.</p> <p>Guidance is provided in section 4 of this technical guidance note.</p>
Report on other requirements - opinions on matters prescribed by the Auditor General	<p>This part sets out the opinions on the remuneration and staff report, performance report and governance statement.</p> <p>Guidance is provided in section 5 of this technical guidance note.</p>
Report on other requirements - matters reported by exception	<p>This part sets out the conclusions on matters reported by exception, such as the adequacy of accounting records.</p> <p>Guidance is provided in section 6 of this technical guidance note.</p>
Report on other requirements - wider scope responsibilities	<p>This part has been added to the 2018/19 models to highlight that auditors report conclusions on their wider scope responsibilities in the annual audit report.</p>
Use of report	<p>The model reports contain a paragraph to recognise the case of Royal Bank of Scotland v Bannerman Johnstone Maclay, which highlighted potential exposure where auditors have not expressly disclaimed responsibility to third parties. For 2018/19, the location of this paragraph has moved to the end of the model report in accordance with guidance from the professional institutes.</p>

## Changes to model wording

**Auditors should follow the wording in the relevant model other than where changes are required:**

- to reflect local circumstances
- due to the modification to an opinion or conclusion.

10. 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.
11. Permitted or required changes to the relevant model are summarised in the following table:

Reason for change	Change to model wording
Tailoring to local circumstances	Where text is in [square brackets], <b>auditors should</b> insert the: <ul style="list-style-type: none"> <li>• name of the health board (i.e. what it calls itself in the annual report and accounts)</li> <li>• precise titles used by the board for the financial statements (explained further in section 3).</li> </ul> Auditors may also have to make amendments to the titles of the performance report, remuneration and staff report, governance statement, and statement of responsibilities to reflect the precise titles used by the board.
To reflect whether appointed auditor is an individual or firm	Where the appointed auditor is a member of Audit Scotland staff, the reports should be presented in the first person singular (e.g. 'I am'). Firms should present the report in the first person plural (e.g. 'We are').
Modifying an opinion or conclusion	Guidance on modifying an opinion or conclusion is provided in sections 3 to 7 of this technical guidance note. However, auditors are required to discuss a proposed modified opinion or conclusion, or the inclusion of 'emphasis of matter' or 'other matter' paragraphs, with Professional Support in advance of finalising the report.
Other amendments	If auditors consider that any other amendments are required to reflect local circumstances, they should contact Professional Support.

## Signing and dating

12. ISA (UK) 700 requires independent auditor's reports to be signed and dated, and name the location of where the auditor practices:

### Auditors should:

- **sign and date the report on or after the authorised for issue date**
- **sign the report for and 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.**

## Signing

13. Auditors should sign the independent auditor's report as follows:

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

## Dating

14. The date given in the independent auditor's report should be the date on which the appointment lead actually signs the report. The appointment lead should aim to sign the report on the date the annual report and accounts are signed by the Accountable Officer (i.e. the authorised for issue date). Auditors should ensure they give the correct day, month and year of their signature, e.g. 30 June 2019.
15. There may be circumstances where the appointment lead cannot sign the report on the authorised for issue date. Where that is the case, auditors should note the following:
- The appointment lead should not sign the report earlier than the authorised for issue date.
  - Where the appointment lead signs the report on a date later than the authorised for issue date, auditors should:

- obtain assurance that those charged with governance would have approved the financial statements on that later date (e.g. by obtaining confirmation from the Accountable Officer)
- ensure that audit procedures for reviewing subsequent events cover the period up to that later date.

## Address

16. Auditors should state in the independent auditor's report the full postal address of their office.

## Positioning of the independent auditor's report

17. Paragraph 5.3.28 of the FReM states that the accountability report should include (in the parliamentary accountability and audit report section) the certificate and report of the Comptroller and Auditor General. This is the equivalent of the independent auditor's report used in Scotland, and therefore the requirement applies in principle.
18. However, auditors should encourage boards to locate the independent auditor's report in such a way that it is clear to users of the accounts that it is not covered by the Accountable Officer's signature on the accountability report.

# 3 Report on the audit of the financial statements

## Opinion on financial statements

### Auditors' responsibilities

19. Auditors are required to express an opinion on whether the financial statements:
  - give a true and fair view of the state of the affairs of the board (and its group) as at 31 March 2019 and of the net expenditure for the year then ended;
  - have been properly prepared in accordance with the financial reporting framework.
20. Guidance on risks of misstatements in the financial statements is provided in [technical guidance note 2019/1\(CG\)](#) and sections 4 and 5 of [technical guidance note 2019/2\(H\)](#).

### Names of financial statements

**Auditors should list the financial statements they have audited, using the precise titles used by the health board.**

21. Auditors are required by ISA (UK) 700 to identify the title of each statement that comprises the financial statements. The financial statements listed in the models are based on the requirements of, and titles used by, the 2018/19 *NHS boards accounts manual for the annual report and accounts* (accounts manual).
22. In the event that a board uses different titles or includes other statements, auditors should amend the titles of the statements so they precisely match the statements and titles actually used by the board. In previous years, there were a number of instances where the titles used by auditors did not precisely match those used by the body, which makes it difficult for a user of the accounts to clearly understand the statements that have been audited.

### Modified opinion on financial statements

**When auditors are considering modifying their opinion on the financial statements, they should discuss the proposed modified opinion with Professional Support.**

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

- amend the headings and wording in the opinion and basis of opinion paragraphs
- include a description of the matter giving rise to the modification.

23. *ISA 705 (UK) 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.

24. There are two forms of qualified opinion. The following table summarises the circumstances in which each form would be appropriate, and the changes which auditors should make to the models in each case:

Type of qualified opinion	Appropriate when	Changes to models
Material misstatement	Auditors conclude that misstatements are material (but not pervasive) to the financial statements	<p>Amend the heading 'Opinion on financial statements' to 'Qualified opinion on financial statements'</p> <p>Amend the heading 'Basis for opinion' to 'Basis for qualified opinion'</p> <p>Add 'qualified' before 'opinion' in the last sentence in the paragraph under the 'Basis for qualified opinion' heading</p> <p>Add a new paragraph under the 'Basis for qualified opinion' heading giving a description of the matter giving rise to the qualification</p> <p>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</p>
Inability to obtain evidence	Auditors are unable to obtain sufficient appropriate audit evidence on which to base the opinion, but conclude that the possible effects on the financial statements of undetected misstatements could be material but not pervasive	<p>The changes are the same as for a 'material misstatement' qualified opinion, with the following additions</p> <ul style="list-style-type: none"> <li>• Add 'possible' before 'effects' in the statement added to the 'Qualified opinion on financial statements' paragraph</li> <li>• Include in the 'Basis for qualified opinion' paragraph the reasons for the inability to obtain sufficient appropriate audit evidence</li> </ul>

25. Where there is a material misstatement, the description of the matter in the added 'Basis for qualified opinion' paragraph should include:
- either a quantification of the financial effects of the misstatement or a statement that quantification is impracticable (where it relates to specific amounts in the financial statements)

- where it relates to narrative disclosures in the notes, an explanation of how they are misstated
  - where it relates to the non-disclosure of required information, the nature of the omitted information and, unless impracticable, the omitted disclosures.
26. The other types of modified opinion are when auditors:
- conclude that material misstatements have a pervasive effect on the financial statements (adverse opinion)
  - 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 (disclaimer opinion).
27. Pervasive effects are those that:
- are not confined to specific items
  - represent a substantial proportion of the financial statements; or
  - are fundamental to users' understanding.
28. These types of modified opinion are therefore extremely rare and auditors should refer to ISA (UK) 705 for the changes required to the models.

## Additional public interest entity wording

### Auditors should:

- **add the date of their appointment letter and the total period of appointment**
- **report any non-audit services not disclosed elsewhere**

29. ISA (UK) 700 contains additional reporting requirements for public interest entities (PIE) in respect of information on audit appointment, non-audit services and the ability of the audit to detect irregularities including fraud. Although health boards do not meet the legislative definition for a PIE, the information is of interest to users of the report and therefore the model reports for 2018/19 have been amended to reflect these additional requirements.
30. Where indicated in the basis of opinion paragraph, auditors should:
- add the date of their appointment letter and the total period of appointment including any reappointments where indicated in the basis of opinion paragraph
  - report any non-audit services which were provided to the board that have not been disclosed elsewhere in the annual report and accounts.
31. A paragraph has been added to the models that explains the extent to which the audit is considered capable of detecting irregularities, including fraud.

## Conclusions relating to going concern basis of accounting

### Auditors' responsibilities

32. ISA (UK) 700 requires auditors to report in accordance with ISA (UK) 570 in respect of going concern. ISA (UK) 570 requires auditors to conclude on:
- the appropriateness of the board's use of the going concern basis of accounting
  - whether a material uncertainty exists about the board's ability to continue to adopt the going concern basis of accounting.

### Matter to be reported

**When auditors are considering whether there may be a going concern matter to report, auditors should**

- refer to practice note 10
- discuss the matter with Professional Support.

33. While a health board may face financial sustainability issues, it is highly unlikely that there will be a material uncertainty regarding the use of the going concern basis of accounting or that it would not be considered appropriate. In assessing whether this may be the case, auditors should refer to the guidance on applying ISA (UK) 570 in [practice note 10](#).
34. In the rare event of a going concern matter requiring to be reported, instead of the model wording the auditor's reporting options are summarised in the following table:

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

## Other information in the annual report and accounts

### Auditors' responsibilities

35. ISA (UK) 700 requires auditors to report in accordance with ISA (UK) 720 in respect of other information in the annual report and accounts. This relates to information other than the financial statements and audited part of the remuneration and staff report.
36. Auditors should assess whether there are any material misstatements in the other information in accordance with the guidance provided in module 9 of [technical guidance note 2019/1\(CG\)](#) and section 5 of [technical guidance note 2019/2\(H\)](#).

### Material misstatement to report

**When auditors are considering whether there is a material misstatement in the other information, they should discuss the matter with Professional Support.**

**If auditors conclude that there is an uncorrected material misstatement in the other information, they should include a statement in the independent auditors report either describing the misstatement or referring to a basis for qualified opinion paragraph.**

37. Where auditors conclude that there is an uncorrected material misstatement in the other information, the reporting requirement involves including a statement in the section of the independent auditors report on other information that:
  - describes the material misstatement; or
  - if the misstatement impacts on the opinions given on the performance report or governance statement, refers to a basis for qualified opinion paragraph in the section on matters prescribed by the Auditor General for Scotland that describes the material misstatement (guidance on this is provided in section 5).

# 4 Report on regularity of expenditure and income

## Auditors' responsibilities

38. Under the *Public Finance and Accountability (Scotland) Act 2000*, auditors are required to report whether, in their opinion, in all material respects, expenditure was incurred and income applied in accordance with applicable enactments and guidance issued by the Scottish Ministers.
39. Auditors should assess whether there are any material irregularities in the financial statements in accordance with the guidance provided in module 8 of [technical guidance note 2019/1\(CG\)](#).

## Qualified opinion on regularity

**When auditors are considering qualifying their opinion on regularity, they should discuss the proposed qualified opinion with Professional Support.**

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

- **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 qualified opinion.**

40. If auditors are of the opinion that material expenditure was incurred or income applied that was not in accordance with applicable enactments and guidance issued by the Scottish Ministers, auditors should express a qualified opinion in respect of regularity.
41. Where a qualified opinion on regularity is appropriate, auditors should:
  - include a 'Basis for qualified opinion on regularity' paragraph and provide a concise description of the matter giving rise to the qualification
  - amend the opinion heading to 'Qualified opinion on regularity', and include the phrase 'except for the effects of the matter described in the basis for qualified opinion on regularity paragraph' after 'In my opinion'.

# 5 Opinion on matters prescribed by Auditor General

## Auditors' responsibilities

42. Auditors are required by the Auditor General to express opinions (i.e. provide positive assurance) within their independent auditor's report on whether:
- the audited part of remuneration and staff report has been properly prepared
  - the performance report and governance statement are consistent with the financial statements and have been properly prepared.
43. Guidance on risks of misstatement is provided in module 9 of [technical guidance note 2019/1\(CG\)](#) and section 5 of [technical guidance note 2019/2\(H\)](#).

## Qualified opinion on prescribed matter

**When auditors are considering qualifying their opinion on any prescribed matter, they should discuss the proposed qualified opinion with Professional Support.**

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

- **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 qualified opinion.**

44. Any proposed qualified opinion on a prescribed matter should be discussed with Professional Support in advance of finalising the independent auditor's report. Where auditors express a qualified opinion on any of the prescribed matters, they should
- amend the heading 'Opinion on matters prescribed by the Auditor General for Scotland' to 'Qualified opinion on matters prescribed by the Auditor General for Scotland'
  - add the phrase 'Except for the matter described in the basis for qualified opinion on matters prescribed by the Auditor General for Scotland' section of [my/our] report'
  - add a section under the heading 'Basis for qualified opinion on matters prescribed by the Auditor General for Scotland' and provide a concise description of the matter giving rise to the qualification.
45. Health boards are not required to report compliance with the *UK Corporate governance code*. If a board makes a reference in the governance statement to that code, auditors should contact Professional Support as this would trigger additional reporting requirements under ISA (UK) 701.

# 6 Matters reported on by exception

## Auditors' responsibilities

46. Where auditors are required to report on certain matters but positive assurance is not required, ISA (UK) 700 treats them as matters reported by exception. Auditors are required to describe their responsibilities for such matters, and incorporate a suitable conclusion (rather than opinion).
47. The Auditor General requires auditors of health boards to report by exception if:
- adequate accounting records have not been kept
  - the financial statements or the audited part of the remuneration and staff report are not in agreement with the accounting records
  - they have not received all the information and explanations required for the audit
  - there has been a failure to achieve a prescribed financial objective.

## Accounting records

48. The accounting records should comprise an orderly, classified collection of information capable of timely retrieval, containing details of the board'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 board's transactions
  - disclose with reasonable accuracy, at any time, the financial position of the board
  - enable the Accountable Officer to ensure that any accounts required to be prepared comply with statutory requirements.
49. 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 system, where significant, would be reported in the governance statement.

## Failure to achieve a prescribed financial objective

50. Guidance on financial targets is provided in section 6 of [technical guidance note 2019/2\(H\)](#).

## Modified conclusion

**When auditors are considering modifying their conclusion on any matter reported by exception, they should discuss the proposed modified conclusion with Professional Support.**

**Where a modified conclusion is appropriate, auditors should**

- **amend the conclusion wording in the model reports**
- **provide a description of the matter giving rise to the modification.**

52. Where auditors conclude that a modified conclusion is appropriate, they 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'.
53. Where auditors express 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, e.g. 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.

# 7 Emphasis of matter/other matter paragraphs

## Auditors' responsibilities

54. *ISA (UK) 706 Emphasis of matter paragraphs and other matter paragraphs in the independent auditor's report* deals with 'emphasis of matter' and 'other matter' paragraphs in the independent auditor's report. These may need to be added to the model reports when auditors consider it necessary to draw users' attention to matters that are either fundamental to understanding the financial statements or relevant to understanding the audit.

## Matter to be reported

**When auditors are considering whether it is necessary to draw attention to certain matters under ISA (UK) 706, they should discuss the matter with Professional Support. If auditors conclude that such matters require attention to be drawn, they should include an 'emphasise of matter' or 'other matter' paragraph.**

55. The following table summarises the requirements for an 'emphasis of matter' paragraph:

Used to refer to a matter	Examples	Changes to model
<p>Appropriately presented or disclosed in the financial statements; and</p> <p>Of such importance that it is fundamental to users' understanding of the financial statements; but</p> <p>A modified opinion is not required</p>	<p>An uncertainty relating to the future outcome of exceptional litigation or regulatory action.</p> <p>A significant subsequent event that occurs between the date of the financial statements and the date of the auditor's report.</p> <p>Early application (where permitted) of a new accounting standard that has a material effect on the financial statements.</p> <p>A major catastrophe that has had, or continues to have, a significant effect on the board's financial position.</p>	<p>Include the paragraph within a separate section of the independent auditor's report with an appropriate heading that includes the term 'Emphasis of matter'.</p> <p>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.</p> <p>Indicate that the auditor's opinion on the financial statements is not modified in respect of the matter emphasised.</p>

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

# 8 Assurance statement on consolidation templates

## Auditors' responsibilities

57. Health boards are required to prepare consolidation templates to facilitate the preparation of the health information included in the Scottish Government's consolidated resource accounts.
58. Auditors are required to complete an assurance statement stating whether the completed templates are consistent with the audited annual report and accounts. Model wording for the assurance statement is provided at Appendix 4.
59. A checklist is included at Appendix 5 of this technical guidance note which may help auditors in carrying out their responsibilities in relation to the consolidation templates.

## Test procedures

**Auditors should examine the completed templates and conclude whether they are consistent with the financial statements.**

60. Auditors should:
  - evaluate the board's processes and controls for the preparation of the templates
  - assess whether the templates include all relevant tabs i.e. performance report, remuneration and staff report, financial statements, and notes
  - select a sample of entries on the templates and agree each to the corresponding item in the annual report and accounts
  - investigate error messages, and confirm that negative balances are correctly reported
  - agree inter-board trading figures to supporting documentation.
61. Auditors should then conclude as to whether the templates are consistent with the audited annual report and accounts. When auditors identify an inconsistency, they should bring it to the board's attention so that it can be eliminated.

## Reporting procedures

**Auditors should complete the assurance statement and submit it along with the consolidation templates to the Scottish Government by 30 June 2019.**

62. Auditors should:

- complete the assurance statement provided at Appendix 4. If an identified inconsistency is not eliminated, auditors should include a description of the inconsistency in the assurance statement
- submit by 30 June 2019 the templates and accompanying completed assurance statement by e-mail to [gemma.dalton@gov.scot](mailto:gemma.dalton@gov.scot).

# Appendix 1

## Model independent auditor's report – health boards (group)

**Independent auditor's report to the members of [insert name of health board], the Auditor General for Scotland and the Scottish Parliament**

### Report on the audit of the financial statements

#### Opinion on financial statements

[I/We] have audited the financial statements in the annual report and accounts of [insert name of health board] and its group for the year ended 31 March 2019 under the National Health Service (Scotland) Act 1978. The financial statements comprise the [specify precisely the titles of the financial statements used by the board such as the Consolidated Statement of Financial Position, the Consolidated Statement of Comprehensive Net Expenditure, the Statement of Consolidated Cash Flow, the Statement of Consolidated Changes in Taxpayers' Equity] 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 2018/19 Government Financial Reporting Manual (the 2018/19 FReM).

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

- give a true and fair view in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers of the state of the affairs of the board and its group as at 31 March 2019 and of the net expenditure 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 2018/19 FReM; and
- have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

#### Basis of opinion

[I/We] conducted [my/our] audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. [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 was/We were] appointed by the Auditor General on [insert date of appointment letter]. The period of total uninterrupted appointment is [insert number] years. [I am/We are] independent of the board 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 Standard, and [I/we] have fulfilled [my/our] other

ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the board. [List any non-audit services not disclosed elsewhere]. [I/We] believe that the audit evidence [I/we] have obtained is sufficient and appropriate to provide a basis for [my/our] opinion.

### **Conclusions relating to going concern basis of accounting**

[I/We] have nothing to report in respect of the following matters in relation to which the ISAs (UK) require [me/us] to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Risks of material misstatement**

[I/We] have reported in a separate Annual Audit Report, which is available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that [I/we] identified and [my/our] conclusions thereon.

### **Responsibilities of the Accountable Officer for the financial statements**

As explained more fully in the Statement of the Chief Executive's Responsibilities as the Accountable Officer, the Accountable 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 Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Officer is responsible for assessing the ability of the board and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

### **Auditor's responsibilities for the audit of the financial statements**

[My/Our] objectives are to obtain 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) 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.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. [I/We] therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of [my/our] auditor's report.

### **Other information in the annual report and accounts**

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration and Staff Report, and [my/our] independent auditor's report. [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 Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with [my/our] audit of the financial statements, [my/our] responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or [my/our] knowledge obtained in the audit or otherwise appears to be materially misstated. If [I/we] identify such material inconsistencies or apparent material misstatements, [I am/we are] required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work [I/we] have performed, [I/we] conclude that there is a material misstatement of this other information, [I am/we are] required to report that fact. [I/We] have nothing to report in this regard.

## **Report on regularity of expenditure and income**

### **Opinion on regularity**

In [my/our] opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

### **Responsibilities for regularity**

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. [I am/We are] responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

## Report on other requirements

### Opinions on matters prescribed by the Auditor General for Scotland

In [my/our] opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

In [my/our] opinion, based on the work undertaken in the course of the audit

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

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

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

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

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

### Conclusions on wider scope responsibilities

In addition to [my/our] responsibilities for the annual report and accounts, [my/our] conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in [my/our] Annual Audit Report.

## Use of [my/our] report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, [I/we] do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

[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 – health boards (board-only)

### Independent auditor's report to the members of [insert name of health board], the Auditor General for Scotland and the Scottish Parliament

#### Report on the audit of the financial statements

##### Opinion on financial statements

[I/We] have audited the financial statements in the annual report and accounts of [insert name of health board] for the year ended 31 March 2019 under the National Health Service (Scotland) Act 1978. The financial statements comprise the [specify precisely the titles of the financial statements used by the board such as the Statement of Financial Position, the Statement of Comprehensive Net Expenditure, the Statement of Cash Flow, the Statement of Changes in Taxpayers' Equity] 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 2018/19 Government Financial Reporting Manual (the 2018/19 FReM).

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

- give a true and fair view in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers of the state of the board's affairs as at 31 March 2019 and of its net expenditure 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 2018/19 FReM; and
- have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

##### Basis of opinion

[I/We] conducted [my/our] audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. [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 was/We were] appointed by the Auditor General on [insert date of appointment letter]. The period of total uninterrupted appointment is [insert number] years. [I am/We are] independent of the board 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 Standard, and [I/we] have fulfilled [my/our] other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the board. [List any non-audit services not

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

### **Conclusions relating to going concern basis of accounting**

[I/We] have nothing to report in respect of the following matters in relation to which the ISAs (UK) require [me/us] to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Risks of material misstatement**

[I/We] have reported in a separate Annual Audit Report, which is available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that [I/we] identified and [my/our] conclusions thereon.

### **Responsibilities of the Accountable Officer for the financial statements**

As explained more fully in the Statement of the Chief Executive's Responsibilities as the Accountable Officer, the Accountable 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 Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Officer is responsible for assessing the board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

### **Auditor's responsibilities for the audit of the financial statements**

[My/Our] objectives are to obtain 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) 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.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and

extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. [I/We] therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of [my/our] auditor's report.

### **Other information in the annual report and accounts**

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration and Staff Report, and [my/our] independent auditor's report. [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 Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with [my/our] audit of the financial statements, [my/our] responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or [my/our] knowledge obtained in the audit or otherwise appears to be materially misstated. If [I/we] identify such material inconsistencies or apparent material misstatements, [I am/we are] required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work [I/we] have performed, [I/we] conclude that there is a material misstatement of this other information, [I am/we are] required to report that fact. [I/We] have nothing to report in this regard.

## **Report on regularity of expenditure and income**

### **Opinion on regularity**

In [my/our] opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

### **Responsibilities for regularity**

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. [I am/We are] responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

## **Report on other requirements**

### **Opinions on matters prescribed by the Auditor General for Scotland**

In [my/our] opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

In [my/our] opinion, based on the work undertaken in the course of the audit

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

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

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

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

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

### **Conclusions on wider scope responsibilities**

In addition to [my/our] responsibilities for the annual report and accounts, [my/our] conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in [my/our] Annual Audit Report.

## **Use of [my/our] report**

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, [I/we] do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

[Signature]

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

[Full postal address]

[Full date]

# Appendix 3

## Auditor action checklist

	Yes/No/N/A	Initials/date	W/P ref
1 Have you used the correct model for the board's circumstances (i.e. group or board-only)?			
2 Have you named the board consistently?			
3 Have you presented the reports in the correct person (i.e. singular for Audit Scotland staff, plural for firms)?			
4 Have you specified precisely the titles of the financial statements used by the board?			
5 Have you amended the names of the other reports to reflect the actual titles used by the board?			
6 Have you: <ul style="list-style-type: none"> <li>added the date of your appointment letter and the total period of appointment</li> <li>reported any non-audit services not disclosed elsewhere</li> </ul>			
7 Have you discussed any proposed modifications to audit opinions or conclusions, reporting of material misstatements, or emphasis of matter/other matter paragraphs, with Professional Support?			
8 Have you discussed any other proposed amendments to the model wording with Professional Support?			
9 Have you ensured that the report has been signed <ul style="list-style-type: none"> <li>by the relevant individual auditor</li> <li>on the authorised for issue date (or as close as possible thereafter)?</li> <li>'for and on behalf of the firm' (firms only)?</li> </ul>			

	Yes/No/N/A	Initials/date	W/P ref
10 Does the report give the full date and postal address?			
11 Have you satisfied yourself that the independent auditors report is appropriately located within the annual report and accounts?			

# Appendix 4

## Assurance statement on consolidation templates

### **Report by the auditors of [insert name of health board] on the consolidation templates for the financial year 2018/19**

#### **Conclusion**

The consolidation templates, which comprise the [specify the content of the consolidation templates] are derived from the audited annual report and accounts of [insert name of health board] for the year ended 31 March 2019.

[I/We] have concluded that the accompanying consolidation templates are consistent, in all material respects, with the audited annual report and accounts.

#### **The audited annual report and accounts and [my/our] report thereon**

[I/We] expressed unmodified audit opinions on the audited annual report and accounts in [my/our] report dated [insert date of independent auditor's report].

#### **Board responsibility for the consolidation templates**

The Board is responsible for preparing the consolidation templates in accordance with guidance issued by the Scottish Government Health and Social Care Directorates.

#### **Auditor's responsibility for the consolidation templates**

[My/Our] responsibility is to report to you [my/our] conclusion as to whether the consolidation templates are consistent with the audited annual report and accounts. [I/We] carried out [my/our] review of the consolidation templates in accordance with the approach set out in Audit Scotland's technical guidance note 2019/3(H).

[Electronic signature of auditor]

[Name of auditor]

[Full postal address]

[Full date]

# Appendix 5

## Auditor action checklist (Consolidation templates)

	Yes/No/N/A	Initials/date	W/P ref
1 Do the board's processes and controls for the preparation of the consolidation templates appear adequate?			
2 Are cells identified as negative in the consolidation templates reported as negative balances in the annual report and accounts?			
3. Are all of the relevant tabs included i.e. performance report, remuneration and staff report, financial statements, and notes?			
4. Do the selected entries on the consolidation templates agree with those reported in the annual report and accounts?			
5. Have any error messages been investigated?			
6. Have the inter-board trading figures been agreed to supporting documentation?			
7. Has an electronic version of the consolidation templates and a completed assurance statement been submitted to the SGHSCD by 30 June?			