

Guidance on planning the audit

2020/21 audits



 AUDIT SCOTLAND

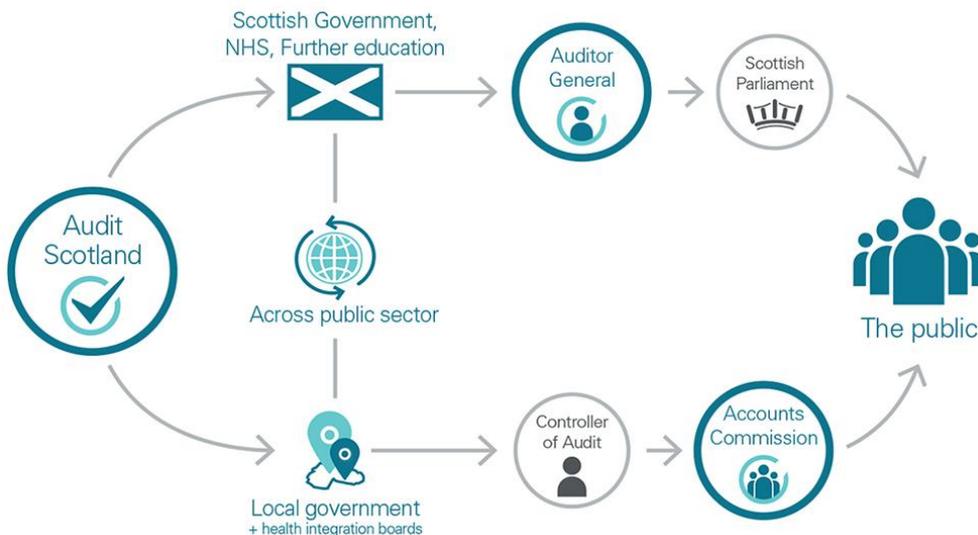
Prepared by Professional Support for auditors in all sectors

11 November 2020

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Section 1

Overview

Purpose of guidance

1. The purpose of this guidance from Audit Scotland's Professional Support is to assist auditors appointed by the [Auditor General for Scotland](#) and the [Accounts Commission](#) to plan their 2020/21 audits of public bodies.
2. Appointment leads and their teams are required to plan, perform and report their audits in accordance with this guidance, as well as the [Code of Audit Practice](#), any other relevant guidance from Audit Scotland, [International Standards on Auditing](#) (ISAs UK), and the Public Audit Forum's [Practice note 10](#).

Auditors should plan their 2020/21 audits in accordance with this guidance

Context for 2020/21 audits

3. The public health crisis caused by the coronavirus disease 2019 (COVID-19) pandemic has had a significant and profound effect on every aspect of Scottish society. Public services have been drastically affected, requiring immediate changes to the way they are provided. The impact on public finances has been unprecedented, which has necessitated both the Scottish and UK governments providing substantial additional funding for public services as well as support for individuals, businesses and the economy. It is likely that further financial measures will be needed and that the effects will be felt well into the future.
4. Public audit has an important contribution to the recovery and renewal of public services. On behalf of the Auditor General and the Accounts Commission, Audit Scotland is planning a substantial programme of work on the Scottish public sector's response to COVID-19. High-quality, independent, evidence-based audit supports accountability and learning about how the government and public bodies are responding to the crisis.
5. The Auditor General, the Accounts Commission and Audit Scotland are responding to the risks to public services and finances from COVID-19 across the full range of audit work including annual audits and the programme of performance audits.
6. This guidance recognises the impact of the timing of the 2019/20 audits and the consequent late start to 2020/21 audits, the challenges in completing audits remotely, and the additional complexities and uncertainties. Audit Scotland views 2020/21 as a transitional year, leading in future to audit timetables which were possible before COVID-19. The well-being of audit teams remains paramount and the expectation for high-quality audit continues. Maintaining a pragmatic and flexible approach will enable change at short notice as new issues emerge, or current risks change in significance. Where this impacts on annual audits, an addendum to this guidance may be necessary.

Summary of audit activities

7. A key activity of auditors is performing an audit, and expressing opinions, on a public body's annual accounts. However, the audit of the annual accounts has a wider scope than the private sector and reaches into judgements on audit dimensions specified in the Code of Audit Practice. In local government, public audit includes considering arrangements to secure Best Value and publish performance information. Auditors also contribute to work at a sector level.
8. The following table summarises:
 - the main activities that comprise the full scope of public audit that are reflected in the expected fee set by Audit Scotland
 - the outputs associated with each activity (with those produced by auditors distinct from those for which their work contributes)
 - potential additional audit activity not reflected in the expected fee
 - the section in this guidance which covers each activity.

Auditor activity	Output (produced by auditor)	Output (audit work contributes)	Additional audit activity	Section
Perform an audit of the annual accounts and express specified audit opinions	Annual Audit Plan* Management/Interim report(s)* Independent Auditor's Report			2
Consider and report on the audit dimensions	Annual Audit Plan* Annual Audit Report*			3A
Contribute to performance audits (including overview reports, performance audit reports, and impact reports)	Datasets Information returns	Sector overview reports* Performance audit reports* Impact reports*		4
Share intelligence with health and social care national agencies	Intelligence return			5B
Highlight issues for potential statutory reports		Statutory reports*	Further work to contribute to production of statutory reports	5C
Communicate emerging issues to Audit Scotland				5D
Provide assurance on Whole of Government Accounts (WGA) returns	Assurance Statement on WGA return	Treasury WGA		5F
Carry out preliminary enquiries into referred correspondence		Response to correspondents	Conduct a review as agreed with Correspondence Team	5G
Provide information on cases of fraud	Fraud Returns	Technical Bulletins* Annual Fraud Report*		5I
Provide information on cases of money laundering		Report to National Crime Agency		5J
Contribute to National Fraud Initiative (NFI) report	Reference, if necessary, in Annual Audit Report*	Biennial NFI report*		5K
Contribute to Technical Guidance Notes	Consultation comments on draft Technical Guidance Notes	Technical Guidance Notes		5L

Local government only

Core audit activity	Output (produced by auditor)	Output (audit work contributes)	Additional audit activity	Section
Consider and report on Best Value arrangements	Best Value Audit Plan Annual Audit Report* Best Value Assurance Report (where applicable)*	Controller of Audit's Annual Assurance and Risks Report*	Additional work to support Best Value Assurance Report	3B
Consider and report on the arrangements related to the Commission's Strategic Audit Priorities (not required in 2020/21)	Annual Audit Plan* Best Value Audit Plan Annual Audit Report*	Annual Assurance and Risks Report*		3C
Consider and report on Statutory Performance Information arrangements	Annual Audit Plan* Annual Audit Report*			3D
Contribute to the Shared Risk Assessment	Information return Any locally agreed output	National Scrutiny Plan*		5A
Prepare and submit Current Issues Returns	Current Issues Returns	Current issues report		5D
Provide assurance on approved grant claims	Certificate in support of grant claims			5E
Consider statutory objections to the annual accounts	Response to objection			5H
Contribute to housing benefit performance audits		Housing Benefit Audit Report*		5M

* published on Audit Scotland's [website](#).

9. Auditors are expected to attend and contribute to meetings hosted by Audit Scotland during the year. These take the form of one all-sector audit planning conference, several sector-specific meetings for all auditors with audit appointments in a sector, and partnership meetings. These will be particularly important in 2020/21 as auditors discuss consistent responses to audit issues which emerge.

Key changes for 2020/21

10. The following table provides a summary of the key changes in this guidance:

Nature of change	Relevant section
Submission deadlines for Annual Audit Plans have been moved back a month	1
Rates for additional audit work have been revised	1
Submission deadlines for audited annual accounts has been provisionally moved	2

Nature of change	Relevant section
Guidance has been provided to focus auditors' risk assessments on the audit dimensions in light of the impact of COVID-19	3A
Reporting on the risk of fraud and corruption in the procurement function may be in 2020/21 or 2021/22 Annual Audit Reports	3A
Submission deadline for Best Value Audit Plans have been moved back to 30 April	3B
Councils where a Best Value Assurance Report is required has been updated	3B
Guidance added clarifying Best Value work in other local government bodies	3B
Auditors in local government are not required to consider Strategic Audit Priorities	3C
Guidance updated on considering the arrangements for statutory performance information in local government	3D
No requirement for auditors to contribute to performance audit reports or impact reports	4
Guidance updated on involvement in National Fraud Initiative	5K

2020/21 Annual Audit Plans

11. As part of the audit planning process, auditors should prepare an Annual Audit Plan that documents how they intend to meet their responsibilities for the delivery of high quality 2020/21 audits. The Annual Audit Plan should contain an overview of the planned scope and timing of the work to be carried out and be presented to those charged with governance at each body.

Annual Audit Plans should contain the required components

12. Annual Audit Plans must include the following components:

Required component	Explanation
Agreed fee	Auditors should refer to Audit Management and Quality guidance from Audit Scotland's Audit Quality and Appointments (AQA) for information.
Work to address risks	Where significant risks to the annual accounts and audit dimensions are identified at the planning stage, auditors should indicate the work planned in the year to address them.
Best Value (local government)	Scheduled coverage of work on Best Value. Guidance is provided at section 3B.
Outputs	A complete list of outputs to be reported to those charged with governance planned for the year. The target dates for submitting audit outputs should be when auditors expect to submit the final version, including an agreed action plan where applicable.
Responsibilities	The respective responsibilities of the audited body and auditor.
Independence	Confirmation of the independence of the appointed auditor.
Materiality	Information on materiality. Guidance is provided at section 2.
Non-application of full wider scope	An explanation of the judgement to not apply the full wider scope of audit. Guidance is provided at section 3A.

13. Auditors should submit Annual Audit Plans to AQA as soon as they have been presented to those charged with governance, and no later than:

- 31 March 2021 (central government and health)
- 30 April 2021 (local government)
- 30 June 2021 (colleges).

14. In recognition of the later start to 2020/21 audits, the above dates (other than for colleges) have been put back one month compared with previous years. If it is not possible to present the plans to those charged with governance before the specified deadlines due to the scheduling of meetings, auditors should submit the draft plans by the deadline, indicating when the final version will be available, and submit those final plans as soon as possible.

15. AQA does not approve Annual Audit Plans but will contact auditors if more information is needed. For example, this may be the case if auditors do not provide explanations for any fees above the expected fee, or fail to clearly identify whether the fee has been agreed with the audited body.

Annual Audit Plans should be submitted as soon as possible and by the specified deadlines

Submission of outputs

16. Auditors should submit all outputs specified throughout this guidance, including the Annual Audit Plans, as follows:

Auditor	Submission
ASG	Save in the appropriate audited body's Financial Audit - Outputs library on SharePoint and email a hyperlink to outputs@audit-scotland.gov.uk
Firms	Email to outputs@audit-scotland.gov.uk

Fee for the Audit

17. Auditors should use the flexibility within the Fee for the Audit arrangements to resource the audit activities set out in the table at paragraph 8. Guidance on determining agreed fees in conjunction with audited bodies, as well as the construction of expected fee ranges is included in [AQA guidance](#). The level of expected fees below which auditors may negotiate an increase to auditor remuneration by up to 20% in line with paragraph 18 of the AQA is £26,000. Although the consideration of objections in local government is a core audit activity, it is not provided for in the construction of the expected fee and therefore an additional fee may be required.

18. Any work commissioned from auditors outwith that allowed for in expected fees will incur additional audit fees. When commissioning such work, Audit Scotland will indicate whether the additional fee is to be separately agreed with the audited body or to be invoiced to the Performance Audit and Best Value Group (PABV), if the work cannot be accommodated by increasing the agreed fee.

19. Maximum grade-related daily rates (including VAT at 20%) for additional audit work in 2020/21 are:

Partners/Directors	Senior Audit Managers/ Audit Managers	Qualified staff	Other staff
£2,160	£1,210	£732	£488

Contact points

20. The main contact points for this overview section are:

Area	Contact	Contact details
Summary of audit activity	Paul O'Brien	pobrien@audit-scotland.gov.uk or 0131 625 1795
Annual Audit Plans; submission of outputs; and Fee for the Audit	Owen Smith	osmith@audit-scotland.gov.uk or 0131 625 1914

Section 2

Auditing the annual accounts

Introduction

21. Auditors are required to perform an audit of the financial statements of public bodies, consider other information within their annual accounts, and express a number of audit opinions in an Independent Auditor's Report in accordance with [ISAs \(UK\)](#), [Practice note 10](#), and [guidance](#) from Professional Support.

Risks of material misstatement in financial statements

22. As part of auditing the financial statements (and Remuneration Report), auditors are required by [ISA \(UK\) 315](#) to identify and assess risks of material misstatement.
23. Professional Support will provide auditors with Technical Guidance Notes (TGNs) to assist in the consistent identification of risks of material misstatements. The TGNs are expected to be published in:
- December 2020 ([local government](#))
 - January 2021 ([central government](#), with a module for health boards in February 2021 and colleges in August 2021).
24. The TGNs will also assist auditors in performing a high quality audit by explaining Professional Support's view on the appropriate accounting treatment related to each risk and setting out the action auditors should undertake. This is intended to inform auditor's professional judgement and promote the exercise of professional scepticism. Auditors should pay due regard to the TGNs and should advise Professional Support of any intended departure from the guidance.

Professional Support will provide guidance on identifying risks of material misstatement

Statutory Other Information

25. In addition to the financial statements and Remuneration Report, the annual accounts include Statutory Other Information, e.g. a Management Commentary/Performance Report and Governance Statement. Auditors are required to consider whether the Statutory Other Information is consistent with the financial statements and has been prepared in accordance with applicable requirements.
26. The TGNs will set out the procedures that auditors should carry out.

Materiality

27. The concept of materiality is applied by auditors both in planning and performing the audit, and in evaluating the effect of any uncorrected misstatements on the financial statements. Auditors should:
- in accordance with paragraph 93 of the [Code of Audit Practice](#), explain the concept of materiality and the materiality figures used (overall and performance) in the Annual Audit Plan. If there is a lower materiality for particular transactions or balances, this should also be explained
 - consider the public interest factor inherent to their work and apply judgement when determining the above amounts, in compliance with [ISA \(UK\) 320](#) and [Practice Note 10](#)
 - include in their Annual Audit Plans the 'clearly trivial' thresholds for accumulating and reporting misstatements under [ISA \(UK\) 450](#). This threshold should also reflect the public interest factor and must not exceed £250,000.

The concept of materiality should be explained in the Annual Audit Plan and Annual Audit Report

The public interest factor should be considered when setting materiality

28. As part of Enhanced Auditor Reporting (explained later in this section), auditors should also explain in the Annual Audit Report how the concept of materiality was applied.

Receipt of unaudited annual accounts

29. The timescale for receiving the unaudited annual accounts are summarised in the following table:

Sector	Legislation	Timescales
Local government	The Local Authority Accounts (Scotland) Regulations 2014 (accounts regulations)	Requirement to submit unaudited annual accounts to auditors by 30 June 2021
Other sectors	Public Finance and Accountability (Scotland) Act 2000 (PFA Act)	Six month statutory deadline for submitting accounts for audit*

* However, auditors should agree with the body when the accounts will be received bearing in mind the deadlines for submitting the audited annual accounts to Audit Scotland (set out later in this section).

Group audits

30. Most councils and many other audited bodies prepare group financial statements which therefore require a group audit. [ISA \(UK\) 600](#) requires the group auditor to assess the component auditor's independence, competence and the regulatory environment in which they work. As part of documenting their assessment, group auditors should consider using the [Quality of Public Audit in Scotland Report](#) which is issued in June each year by AQA where the component auditor is appointed by the Auditor General and Accounts Commission.

Component auditors should provide requested assurances to group auditors

31. The expectations of group and component auditors are summarised in the following table:

Group auditor	Component auditor
Ensure the parent body provides appropriate direction to its components on the timely completion of their audits	Cooperate with group auditors in providing appropriate assurances
Correspond with component auditors in sufficient time	Complete relevant questionnaires from the group auditor and submit on time

Technical advice

32. Auditors are encouraged to contact Professional Support for [technical advice](#). This may include obtaining a second opinion on the applicable accounting treatment for an unusual transaction, an interpretation of a public sector financial reporting requirement, or a view on the appropriate accounting policy for a complex matter. Auditors are expected to have formed their own preliminary views. Professional Support will then provide advice to inform auditor' judgement on the issue.

Auditors are encouraged to contact Professional Support for technical advice

33. Auditors should also contact Professional Support to advise of, and discuss, any emerging technical risks that may have wider application to other bodies. Where applicable Professional Support will then disseminate information to other auditors to promote a consistent approach.

34. Auditors should contact Professional Support by emailing TechnicalQueries@audit-scotland.gov.uk.

Technical developments

35. In order to deliver a high quality audit, auditors are expected to keep their knowledge up-to-date on the main public sector technical developments that are relevant to their audit appointments. Professional Support provides information on [latest technical news](#) on an ongoing basis and will provide quarterly [Technical Bulletins](#) to assist in this regard, and to provide guidance on any emerging risks.

Independent auditor's report

- 36.** The [Code of Audit Practice](#) requires auditors to report on their audit and consideration of the annual accounts in an [Independent Auditor's Report](#) prepared in accordance with TGNs provided by Professional Support. Auditors are required to express separate opinions in the Independent Auditor's Report on:
- the financial statements
 - the regularity of income and expenditure (other than local government)
 - the audited part of the Remuneration Report
 - whether the Management Commentary/Performance Report and Governance Statement are consistent with the financial statements and have been prepared in accordance with requirements.
- 37.** Conclusions are also required on specified matters on which auditors are required to report by exception, e.g. whether adequate accounting records have been kept.
- 38.** The TGNs containing guidance on the above for 2020/21, including model Independent Auditor's Reports, are expected to be published in:
- March 2021 (health and central government)
 - April 2021 (local government)
 - August 2021 (colleges).

Application of Extended Auditor Reporting

- 39.** Paragraph 100 of the Code of Audit Practice applies to all Annual Audit Reports the enhancements made to auditor reporting originally included in ISA (UK&I) 700 in 2013. The requirements for Extended Auditor Reporting as it is called are now included in [ISA \(UK\) 701](#) at paragraphs 11(a) and 16-1.
- 40.** A revised ISA (UK) 701 applies from 2020/21 and therefore Annual Audit Reports are required to include:
- a description of the most significant assessed risks of material misstatement that were identified by the auditor which had the greatest effect on the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the audit team
 - how each of the above significant risks of material misstatement was addressed including, as a new requirement of the ISA, significant judgements made with respect to each one
 - specifying the materiality threshold for the financial statements as a whole and, as new requirements, specifying performance materiality and providing an explanation of the significant judgments in determining these amounts
 - an overview of the scope of the audit, including an explanation of how it addressed each of the significant assessed risks of material misstatement and how it was influenced by the auditor's application of materiality.

Extended Auditor Reporting should be reflected in the Annual Audit Report

Submission of audited annual accounts

- 41.** Auditors should submit the audited annual accounts by the deadlines set for each sector. Deadlines for 2019/20 were moved back in line with later deadlines for producing the annual accounts as a result of the impact of COVID-19. Audit Scotland has provisionally set deadlines for 2020/21 which start to transition back to normal timescales but in an incremental manner. At the time of preparing this version of the guidance, these deadlines are provisional as they have not yet been agreed with the Scottish Government. Audit Scotland will confirm the deadlines in due course.
- 42.** The provisional deadlines for 2020/21 are set out in the following table:

Sector	Submission deadlines	Comments
Health	31 August 2021	This is set to be consistent with the administrative deadline set by the Scottish Government. This is normally 30 June but was moved to 30 September for 2019/20. Audit Scotland proposes 31 August for 2020/21.
Local government	31 October 2021	This is set to be consistent with the accounts regulations which require the annual accounts to be signed off by 30 September and published by 31 October. The Coronavirus Scotland Act 2020 permitted bodies to delay publication of the 2019/20 accounts until reasonably practicable (which was considered by the Scottish Government to be no later than 30 November). Audit Scotland also set the audit completion deadline as 30 November. Audit Scotland proposes 31 October for 2020/21.
Central government	31 August 2021 (Agencies and Scottish Water) 31 October 2021 (NDPBs and similar)	The deadline for agencies is, like health, set to be consistent with the administrative deadline set by the Scottish Government. Although the statutory deadline for laying the accounts is 31 December, AQA has set an earlier submission date for NDPBs to allow for the laying process and any statutory reporting. However, AQA will not hold auditors responsible if the body refuses to meet the earlier deadline.
College	31 December 2021	This is set to be consistent with the submission deadline set by the Scottish Funding Council.

- 43.** Auditors are encouraged to use qualified electronic signatures for signing the audited annual accounts. Audit Scotland offers auditors the option to use DocuSign. Where auditors use DocuSign, there is no need to separately submit the signed accounts in either a pdf or paper format as that is done automatically as part of the process. In all cases, an unsigned excel version is required for health boards.
- 44.** Where auditors use an alternative qualified electronic signatures system, they should submit the signed audited annual accounts in accordance with paragraph 16. The accounts must be in an electronically searchable pdf format. A paper copy is not required.
- 45.** Where a qualified electronic signature system is not used, in addition to submission in accordance with paragraph 16, auditors should continue to also submit signed paper copies of the annual accounts as set out in the following table:

Address	Sector	Number of sets
Owen Smith, Audit Scotland, 102 West Port, Edinburgh EH3 9DN	Local government	1
	Other sectors	2
	(Scottish Police Authority)	(3)

- 46.** In addition to the paper copies sent to Audit Scotland above, auditors should agree locally the number of paper copy signed sets of audited annual accounts required by the audited body.

Laying accounts

- 47.** The Auditor General is required to send to the Scottish Ministers the audited annual accounts (other than for local government) who are then required to lay the accounts in the Scottish Parliament by 31 December 2021. AQA will arrange on behalf of the Auditor General for the accounts to be sent to the minister of the appropriate department. The preferred route is for AQA to send the accounts and a covering letter to the relevant department directly.

Auditors should contact AQA if the accounts are to be laid by a particular date

48. Auditors should contact AQA if bodies wish to have their accounts laid by a particular date to ensure that date can be met. AQA will send auditors a copy of the letter that is sent to the relevant minister/department for laying.

49. Some bodies have historically submitted the accounts to the departments. Where the body wishes to continue this practice, AQA send the accounts and covering letter to the body so they can do so.

Publication of accounts

50. Local government bodies are required to publish their 2020/21 annual accounts on their website no later than 31 October 2021 (or such later date as may be set for 2020/21). Bodies in other sectors must wait until their annual accounts have been laid in Parliament before publishing them on their websites.

51. Appointment leads may simply use their typed name in place of actual signatures for the set of accounts that are published on websites.

Contact points

52. The main contact points for auditing the annual accounts are set out in the following table:

Area	Contact	Contact details
Risks of material misstatement in the financial statements, Statutory Other Information, Materiality, Group audits, Technical advice, Technical developments, Independent Auditor's Reports, and application of Extended Auditor Reporting	Paul O'Brien	pobrien@audit-scotland.gov.uk or 0131 625 1795
Submission and laying of audited annual accounts	Owen Smith	osmith@audit-scotland.gov.uk or 0131 625 1914
DocuSign	John Gilchrist	jgilchrist@audit-scotland.gov.uk or 0131 625 1659

Section 3

Audit dimensions, Best Value, Statutory Performance Information and Strategic Audit Priorities

Introduction

53. The [Code of Audit Practice](#) sets out four dimensions that frame the wider scope of the audit of the accounts. The audit dimensions provide a common framework for all the audit work conducted for the Auditor General and for the Accounts Commission. The Code requires auditors to consider the audit dimension at all bodies unless the auditor judges that it is not appropriate due to the size, nature and risks of the body.
54. In addition, the wider scope of audit in local government comprises the statutory duty of auditors to be satisfied that bodies have made proper arrangements to secure Best Value (BV) and to publish statutory performance information. The Commission also sets out five Strategic Audit Priorities that it expects auditors to consider in local government audits. The [Local Government Audit Manual – Auditing Best Value](#) (BV Audit Manual) produced by Audit Scotland illustrates (in Appendix 1 of part 2) the linkages between the BV themes, the Strategic Audit Priorities and the audit dimensions. This should avoid any unnecessary duplication of audit work.

3A Audit dimensions

55. Auditors must consider the four audit dimensions set out in the Code (illustrated in following diagram) when scoping, planning, performing and reporting their work:



56. Auditors should consider the arrangements in place for the audit dimensions when undertaking their annual risk assessment of the audited body and preparing their 2020/21 Annual Audit Plans:
- If auditors have identified significant risks related to the audit dimensions, they should explain the work that they plan to do during the year.
 - If no significant risks are identified in respect of the audit dimensions, auditors should state that in their Annual Audit Plans.
57. Audit Scotland's [Audit Dimensions](#) supplementary guidance provides a series of key question as examples of what auditors should consider when planning their audit work.

- 58.** The risk profile of public bodies for the 2020/21 audits is significantly affected by the COVID-19 pandemic. The pandemic has highlighted the importance of many long-standing issues that auditors have previously reported on, such as the need for good governance, openness and transparency, and effective longer-term planning to deliver better outcomes. The risks and challenges associated with these issues have become greater due to the pandemic. Audit Scotland's [COVID-19 Guide for Audit and Risk Committees](#) sets out the key short term risks and challenges facing public bodies. They are heightened further because of the uncertainty around the UK's exit from the European Union and increasing budget pressures.
- 59.** In assessing risks in 2020/21, in order to deliver a high quality audit, auditors are expected to focus on risks related to governance and transparency, financial sustainability, and counter-fraud arrangements. The following paragraphs provide further context for auditors' risk assessments.
- 60.** Public bodies have made significant changes to their governance arrangements in response to the pandemic. Auditors will want to satisfy themselves that the body can demonstrate that:
- the revised governance arrangements are appropriate and operating effectively
 - there is effective scrutiny, challenge and informed decision making.
- 61.** The pandemic is expected to have had a substantial impact on performance measures, particularly for services which have been temporarily suspended, are operating at a reduced level or have had to adapt to new ways of working. It is important that auditors satisfy themselves that performance reporting is timely, reliable, balanced, transparent and appropriate to user needs. This particularly impacts on the statutory performance information published by councils (explained in section 3D).
- 62.** The governance arrangements for health and social care integration is an area of particular interest to the Auditor General and Accounts Commission. As part of the work on governance and transparency, council and health auditors should apply and report on the prompt from the [Audit Dimensions](#) supplementary guidance "Can the body demonstrate that the governance arrangements are appropriate and operating effectively (including services delivered by, or in partnership with, others)" in the context of health and social care integration.
- 63.** The financial impact of the pandemic could include a reduction in income from business rates and council tax non-payments as well as a reduction in fees and charges from, for example, leisure, public transport and parking. Bodies may also face increased costs such as higher staff costs to cover the delivery of services. This also impacts on services provided by arms-length external organisations. Having robust financial management and longer-term planning arrangements in place is critical to ensuring that a body can manage its finances sustainably and deliver services effectively, identify issues and challenges early and act on them promptly.
- 64.** While public bodies will have risk management processes in place, the likelihood and impact of existing risks and the emergence of new risks will need to be monitored carefully. This includes risks in systems set up to provide financial support to businesses and individuals during the pandemic. There may also be a change in the risk appetite during the pandemic to allow for services to operate effectively and respond to issues in a timely manner. Some changes may be significant therefore officers and audit and risk committee members need to consider how sustainable these changes will be in the longer term.
- 65.** Since the start of the pandemic, the risk of fraud and error has increased as the control environment and internal controls change. Auditors should treat fraud as a matter of particular focus in 2020/21. Some particular fraud risks are included in Audit Scotland's document [COVID-19 Emerging Fraud Risks](#) on which auditors should consider as they undertake their work. Potential areas of risk include:
- public sector staff have been working under extreme pressure which may mean some internal controls were suspended or relaxed
 - procurement fraud could increase as normal controls may be relaxed to allow bodies to buy goods or services which are required urgently, possibly from new suppliers
 - there is a risk of weakened governance arrangements as internal audit teams are redeployed to operational areas
 - stimulus packages to support individuals and businesses are being provided quickly, possibly with a lower level of scrutiny and due diligence than has previously been in place
 - staff working remotely may pose potential security risks, e.g. when using personal devices and/or using removable devices to download data.

66. In addition, the guidance on planning 2019/20 audits advised to assess the risk of fraud and corruption in the procurement function. Where a significant risk was identified auditors were advised to reflect that in their Annual Audit Plans for either 2019/20 or 2020/21. In recognition of the new risk landscape, where appropriate auditors may defer consideration of this risk until 2021/22.
67. Internal audit provides independent assurance on governance arrangements, risk management and internal control processes. As the landscape changes, internal audit will have to consider its approach to audit planning and how it continues to deliver its assurance activities while balancing the workload created by new risks emerging from COVID-19.
68. Where auditors judge that the full audit dimensions work is not appropriate for a particular body, this judgement must be documented in the 2020/21 Annual Audit Plan. The judgement should be re-considered each year, informed by experience from previous years. Further guidance on making the judgement is provided in the [Smaller Audited Bodies](#) supplementary guidance. Any areas of uncertainty should be discussed with AQA.
69. Circumstances where the full audit dimensions work is not appropriate are most likely to apply to the audits of Section 106 charities, some joint boards and committees; small special health boards, small colleges, and small central government bodies. For the avoidance of doubt, the Accounts Commission and Audit Scotland expect that this exemption will not be appropriate for integration joint boards (IJBs).
70. Auditors should include the following in their 2020/21 Annual Audit Reports:
- a summary of the audit work undertaken during the year in response to identified risks
 - a conclusion on the effectiveness and appropriateness of the arrangements in place for each audit dimension based on any work carried out
 - any remaining significant risks and recommendations for improvement to mitigate them
 - any good practice identified.
71. The main contacts are:

Auditors should document in the Annual Audit Plan if they judge the full audit dimensions work to be inappropriate

The Annual Audit Report should include these elements

Area	Contact	Contact details
Audit dimensions	Owen Smith	osmith@audit-scotland.gov.uk or 0131 625 1914
Fraud and corruption risks	Anne Cairns	acairns@audit-scotland.gov.uk or 031 625 1926

3B Considering Best Value arrangements

72. Auditors have a statutory duty to be satisfied that local government bodies have made proper arrangements to secure BV. Auditors in other sectors may also carry out BV work.

BV in councils

73. 2020/21 is year five of the extended six-year approach to auditing BV in councils. BV audit work is integrated with the annual audit and should be carried out in accordance with the [BV Audit Manual](#) which supplements the Code of Audit Practice. Council auditors and PABV auditors work together on planning, performing and reporting BV audit work.
74. BV audit work is scoped to reflect local priorities and risks. The scoping determines coverage of BV themes set out in the [BV Audit Manual](#) in each year over the extended audit appointment.
75. All auditors should update the BV Audit Plan (BVAP) to cover the remaining years of the extended audit appointment. It should reflect the actual work completed in earlier years and the latest intelligence on the council. Scheduling of work should reflect the local risk assessment from the Shared Risk Assessment (explained at section 5A) and annual planning processes.

Auditors should submit their BVAP to Audit Scotland by 30 April 2021

76. The BVAP is an internal document that does not need to be listed as an output in the Annual Audit Plan. However, if auditors choose to share the BVAP with a council, they should explain the flexible nature of the BV programme. Auditors should submit their BVAP to Audit Scotland in accordance with paragraph 16 to help planning for BV support. For 2020/21, the submission deadline has been put back a month to 30 April 2021.

77. Auditors should reflect the scheduled BV audit coverage for 2020/21 in the Annual Audit Plan for that year.

78. A key feature of the approach to auditing BV is the Controller of Audit providing a [Best Value Assurance Report](#) (BVAR) to the Accounts Commission for each council at least once over the audit appointment. BVARs require to be reported during 2020/21 audits for the following councils:

BVAR councils	PABV link managers	Contact details
Aberdeen City	Graeme Greenhill	ggreenhill@audit-scotland.gov.uk
South Ayrshire	Mark MacPherson	mmacpherson@audit-scotland.gov.uk
Falkirk	Tricia Meldrum	tmeldrum@audit-scotland.gov.uk
East Dunbartonshire	Leigh Johnson	ljohnstone@audit-scotland.gov.uk

79. Auditors of the relevant councils should make early contact and liaise with their PABV link manager to organise the contribution of PABV staff to each audit.

80. Auditors should report findings and judgements on BV audit work in the 2020/21 Annual Audit Report, including following up previous BV audit findings. The follow up should reflect the council's response to the findings and progress against each improvement action.

81. Where a BVAR has been published in a previous year, the Annual Audit Report should include follow up of the auditor recommendations and any additional Accounts Commission recommendations included in their findings. Auditors should also make reference to their current judgement on the pace and depth of continuous improvement. This should reflect on the BVAR judgement and be updated for the results of follow up audit work.

82. Additional follow up work may be required by auditors where the Commission decides to use its powers to instruct further audit work or to hold a hearing in response to a BVAR.

83. The BVAPs and Annual Audit Reports will also be used to inform the Controller of Audit's Annual Assurance and Risks Report (AARR) to the Accounts Commission for 2020/21.

84. The main contact is **Fiona Mitchell-Knight**, fmitchell-knight@audit-scotland.gov.uk, 0131 625 1937.

BV in other local government bodies

85. Auditors' duty to consider the arrangements to secure BV also applies to bodies that fall within [section 106](#) of the Local Government (Scotland) Act 1973 (the 1973 Act). This includes valuation joint boards, joint committees, transport partnerships and IJBs.

86. Auditors should undertake this duty in a way that is proportionate to the size and type of body. Auditors should consider how the body demonstrates that it is meeting its BV responsibilities, and should report on the body's own arrangements for doing this. Work undertaken on the audit dimensions will contribute to this consideration. It does not require detailed audit work against the BV themes and there are no BVARs.

87. In the case of those smaller bodies where the full audit dimensions work is not carried out, auditors should consider how the work carried out on areas such as financial sustainability will also meet the BV responsibilities.

88. The main contact is **Fiona Mitchell-Knight**, fmitchell-knight@audit-scotland.gov.uk, 0131 625 1937.

BV in other sectors

89. For sectors other than local government, the Scottish Public Finance Manual (SPFM) explains that accountable officers have a specific responsibility to ensure that arrangements have been made to

secure BV. Auditors should confirm that there are organisational arrangements in place in this regard when planning and reporting on the audit dimensions. [Ministerial guidance to Accountable Officers](#) for public bodies sets out their duty to ensure that arrangements are in place to secure BV in public services.

90. Auditors may also carry out specific audit work covering the seven BV characteristics set out in the [SPFM](#). The nature and extent of this work will be determined by the annual risk assessment carried out by auditors. However, there is an expectation that equalities will be advanced through the audit process. Auditors should aim to consider this area at least once during the audit appointment.
91. Auditors may use assessment material from the [BV Audit Manual](#) to inform audit work in non-local government bodies. The application of this material should be based on an appropriate consideration of the distinctive features of local government bodies as well as local circumstances and risks.
92. The main contact is **Fiona Mitchell-Knight**, fmitchell-knight@audit-scotland.gov.uk, 0131 625 1937.

3C Strategic Audit Priorities

93. Auditors determine their schedule for considering the Strategic Audit Priorities set out in the Accounts Commission's [strategy 2019-24](#). The planned coverage over the audit appointment is included in the council's BVAP. Auditors' conclusions inform the Controller of Audit's AARR.
94. In recognition of the demands on auditors' time and the challenges of remote auditing, the Commission has agreed that auditors are not required to specifically consider and report on the Strategic Audit Priorities as part of 2020/21 audits. The Strategic Audit Priorities continue to be important but it is expected that the Controller will be able to use information reported elsewhere in Annual Audit Reports in respect of the audit dimensions for the purposes of adequately reflecting progress with the Strategic Audit Priorities in the AARR for 2020/21.
95. The main contact is **Paul Reilly**, preilly@audit-scotland.gov.uk or 0131 625 1809.

3D Councils' Statutory Performance Information

96. The Accounts Commission has a statutory responsibility to define the performance information that councils must publish. This responsibility links with the Commission's BV audit responsibilities. In turn, councils have their own responsibilities, under their BV duty, to report performance to the public. The Accounts Commission issued a revised [2018 Statutory Performance Information Direction](#) in December 2018 which requires a council to report its:
 - performance in improving local public services provided by the council (on its own and with its partners and communities), and progress against agreed desired outcomes
 - own assessment and independent audit assessments of how it is performing against its duty of BV, and how it plans to improve these assessments
 - how it (with its partners where appropriate) has engaged with and responded to its diverse communities.
97. As 2019/20 was the first year of the direction, auditors were advised in the guidance for that year to evaluate the effectiveness and appropriateness of the arrangements at each council to fulfil the above requirements. This should have been linked to the work carried out on the Commission's Strategic Audit Priority in respect of reporting the council's performance in a way that enhances accountability to citizens and communities. Auditors were advised to report in their 2019/20 Annual Audit Reports:
 - a conclusion on the effectiveness and appropriateness of the arrangements in place for complying with the direction
 - any recommendations for improvement in the arrangements.
98. In 2020/21, auditors should follow up any recommendations for improvement to confirm that remedial action has been taken. However, as stated earlier in this section, the COVID-19 pandemic is expected to have had a substantial impact on performance reporting. Auditors may therefore identify further areas for improvement.
99. The main contact is Paul Reilly, preilly@audit-scotland.gov.uk or 0131 625 1809.

Auditors should follow up recommendations for improvement made in 2019/20

Section 4

Contributing to performance audits

Introduction

100. The wider scope of public audit also includes auditors contributing to the following outputs produced by PABV on behalf of the Auditor General and Accounts Commission:

- Sector overview/annual performance reports
- Performance audit reports
- Impact reports.

Sector overview/annual performance reports

101. As in previous years, the Accounts Commission will publish two overview reports (financial and performance) covering the local government sector, and the Auditor General will publish an annual performance report covering the health sector. A decision on whether to produce a college sector report has not yet been taken. It is provisionally included here for completeness but auditors will be advised as soon as a decision is reached. If a report is not produced, a brief dataset will still be required.

102. The reports use information from the audited accounts and Annual Audit Reports and therefore much of the required information is generally already available from the core audit work. However, auditors are requested to provide important supplementary information collected as datasets.

103. The specification of datasets will be developed by PABV in consultation with auditors and they will be provided in good time to allow their completion. Auditors should complete the datasets taking due care and attention, ensuring factual information has been agreed with the audited body, before submitting them to Audit Scotland in accordance with paragraph 16. Key information for completing and submitting the datasets are set out in the following table:

Datasets should be completed by auditors and factually agreed with bodies

Report	Contact	Available in	Expected input	Submission deadline
NHS in Scotland 2021	Leigh Johnston ljohnston@audit-scotland.gov.uk or 0131 626 1977	June	1 to 2 days	1 September 2021
Local government in Scotland: Financial overview 2020/21	Blyth Deans bdeans@audit-scotland.gov.uk or 0131 625 1953	March	3 days	8 May 2021
Scotland's colleges 2022	Rebecca Seidel rseidel@audit-scotland.gov.uk or 0131 625 1873	October	1 to 2 days	31 December 2021

Performance audit reports and impact reports

104. Auditors normally have a key role to play in helping to deliver the [work programme](#) for performance audits carried out by PABV. However, in recognition of the impact of COVID-19 on auditor's time, and the challenges of remote auditing, PABV has decided that auditors will not be asked to contribute to the PABV work programme during 2020/21 audits.

Section 5

Other wider scope audit work

Introduction

105. The spectrum of wider scope audit work undertaken by auditors also includes intelligence sharing among auditors and across sectors, other assurance work, and assisting the Auditor General, Accounts Commission, Controller of Audit or Audit Scotland in performing their responsibilities.

5A Shared Risk Assessment and Joint Scrutiny Planning

106. Auditors continue to play a key role in the Shared Risk Assessment (SRA) process which is the vehicle for scrutiny bodies to share intelligence and agree scrutiny risks at each council. [Guidance](#) on the SRA has been provided by Audit Scotland but in summary the model comprises:

- Strategic Scrutiny Group – chaired by the Accounts Commission, and is responsible for setting the overall approach to scrutiny coordination and monitoring progress.
- Operational Sub group – responsible for developing and supporting the delivery of a coordinated National Scrutiny Plan (NSP).
- Local area networks (LANs) – led by the auditor of the council and comprises representatives from the main local government scrutiny bodies.

107. Auditors, in their role as LAN lead, are required to:

- hold routine meetings with the LAN members
- provide a summary of identified risks from the SRA process to the Operational Sub group to inform scrutiny planning
- work with other scrutiny bodies to facilitate engagement with the council and between each member
- discuss planned scrutiny with the council.

Auditors are required to provide a summary of identified risks to the sub-group

108. In addition, a LAN can agree with the relevant council to issue a summary of local risks and issues based on the work of the LAN.

109. The COVID-19 pandemic has impacted on the work of all local government scrutiny during 2020 and will continue to affect plans going forward. More information on the impact on each scrutiny body is available from the [Scrutiny improvement](#) page on the Audit Scotland website. As a result, an NSP for 2020 has not been published. The Strategic Scrutiny Group is considering how scrutiny partners can best respond in a coordinated way to the challenges and changes brought about by COVID-19. LANs will be kept up-to-date on relevant developments.

110. Any queries on scrutiny coordination and the SRA process should be directed to **Mark McCabe**, mmccabe@audit-scotland.gov.uk 0131 625 1806.

5B Sharing intelligence for health and social care

111. Auditors play an important role in the Sharing Intelligence for Health and Care Group which is a mechanism that enables seven national agencies to share and consider intelligence about the quality of health and social care systems across Scotland. More information is available from the [Scrutiny improvement](#) page on the Audit Scotland website. The aim of the group is to support improvement in the quality of health and social care. When any of the agencies has a potentially serious concern about a health and social care system, the group ensures this is shared and acted upon appropriately.

112. Auditors are required to:

- complete an intelligence return, which is shared with the relevant board

- attend the group meeting when the board is considered to discuss the key points from their returns. Attendance at the meeting is important as it provides the opportunity to hear intelligence from the other agencies.

113. The meetings are [scheduled](#) to take place each month up to March 2021, but may revert to every two months thereafter. Audit Scotland will contact the relevant auditor about three weeks before the group meeting to ask for completion of the intelligence return and confirmation of who will attend the meeting. There is generally two weeks to complete and submit the return. It should be submitted in accordance with paragraph 16.

114. The main contact is **Leigh Johnston** ljohnston@audit-scotland.gov.uk or 0131 625 1977.

5C Statutory reports

115. Auditors are responsible for identifying and highlighting any significant issues arising which might prompt the Auditor General or Controller of Audit to consider preparing a statutory report under [section 22](#) of the PFA Act for the Scottish Parliament's Public Audit and Post-legislative Scrutiny Committee (PAPLS) or [section 102](#) of the 1973 Act for the Accounts Commission. For the avoidance of doubt, the final decision on whether a report is required rests solely with the Auditor General or Controller of Audit.

Auditors should highlight issues that could result in a statutory report

116. The issues that auditors are expected to highlight include those related to public interest or concern around governance, financial management or sustainability, the management of major projects or programmes, or service performance. Reports of this type can also be used to provide an update on previously reported matters. They may arise directly from the annual audit process or may be identified during ongoing engagement with the audited body.

117. Auditors should communicate to Audit Scotland's sector contacts throughout the year all issues with the reasonable potential to result in a statutory report so that the Auditor General or Controller of Audit has early notice of the issues and is in a position to make a decision in good time.

118. The contacts for each sector are listed in the following table:

Sector	Name	Contact details
Local government	Anne MacDonald	amacdonald@audit-scotland.gov.uk or 0131 625 1903
Central government	Michael Oliphant	moliphant@audit-scotland.gov.uk , 0131 625 1731
Health	Leigh Johnston	ljohnston@audit-scotland.gov.uk , 0131 625 1977
College	Rebecca Seidel	rseidel@audit-scotland.gov.uk or 0131 625 1873

119. Where the Auditor General or Controller of Audit decides that a statutory report is appropriate, the sector contact will agree the extent of the auditor's contribution, and how much of that is beyond the scope of the core audit. This will generally include contributing to drafting the report and providing briefings at meetings of PAPLS or the Accounts Commission.

120. Firms should base fees on no more than the maximum grade-related daily rates set out at paragraph 19 for work beyond the core scope, except in exceptional circumstances where the use of experts is required.

5D Communicating current issues

121. Timely communication by auditors of intelligence is important in helping Audit Scotland to maintain a good level of awareness across the public sector and to keep the Auditor General, the Controller of Audit and Accounts Commission informed. Auditors are therefore required to advise Audit Scotland of any emerging issues and risks in audited bodies on an ongoing basis. Auditors should exercise judgement when selecting which issues to highlight. However, it is considered that a phone call to the relevant sector contact listed at paragraph 118 to discuss whether an issue is of interest would be a good approach.

Auditors should communicate emerging risks and issues on an ongoing basis

- 122.** In previous years, auditors have been required to prepare periodic Current Issues Returns. That requirement was dispensed with last year for all sectors except local government. However, this continues to be on the condition that auditors keep sector contacts up-to-date with noteworthy issues by other less formal means.
- 123.** Current Issue Returns for local government represent an important source of intelligence for reporting to the Commission's Financial Audit and Assurance Committee (FAAC). The returns should provide a balance of recent developments for information (e.g. changes in leadership, media headlines), and emerging issues. Early reporting is encouraged even if auditors have not undertaken any work at the point of highlighting a particular issue. Auditors should give an indication of the potential scale of the matter and the likely audit work to be undertaken in reaching a conclusion.
- 124.** In order to demonstrate a connection between the emerging audit issue and the approach to risk, auditors should categorise the issues in line with Audit Scotland's current public sector risk profile. The impact of COVID-19 has the potential to affect all the risk areas and, consequently, it has not been identified as a separate category. The risk categories for 2020/21 are as follows:
- ineffective leadership and scrutiny
 - challenging financial outlook
 - reduced governance, accountability and scrutiny
 - failure to deliver outcomes and performance
 - shortfall in skills and capacity
 - failures in economic recovery and growth
 - uncertainties around departure from the European Union
 - fiscal devolution and welfare powers
 - reduced digital and cyber resilience.
- 125.** Auditors in the local government sector should set out their intended audit responses in the Current Issues Return. This demonstrates that planned work is scheduled in response to the potential risk identified and provides assurance that the matter is being addressed as part of the local audit. The following table provides some examples:

Current Issues Returns are required for the local government sector only

Category	Illustrative reportable issue	Auditor response
Challenging financial outlook	The council's change programme resulted in an increased number of staff taking exit packages. Exit costs amounted to £3.5m in respect of 136 staff. The council's voluntary severance scheme has a payback period which is longer than most other councils and therefore potential savings will not be immediately apparent.	Local reporting through Annual Audit Report
Failure to deliver objectives	Progress with service redesign savings has been mixed, with only £0.8m achieved against a target of £2m. The auditor had previously reported that savings targets were optimistic. The council is undertaking a review to determine what is more achievable and any likely impact on reserves.	Ongoing monitoring as part of the audit
Ineffective leadership and scrutiny	Following a by-election, the political balance of the council has changed. There is potential for a further change in administration and if so, this would be the council's third administration since the 2017 local election. Although a cross party working group oversaw the 2019/20 budget, the conservative group have now stepped away from the working group and intend to prepare their own 2020/21 budget.	To consider as part of planned Best Value activity

126. Auditors in the local government sector must submit completed Current Issues Returns (or confirm a nil return if there is nothing new to report) for each body in accordance with paragraph 16. In order to meet the FAAC meeting schedule, the returns should be submitted by the following dates:

- 15 January 2021
- 26 March 2021
- 23 July 2021
- 22 October 2021 (any issues included in the Annual Audit Report do not have to be repeated, though any updates on those issues should be provided).

127. In advance of each submission date:

- ASG auditors will be notified by email that a template is available on SharePoint for completion
- firms will receive a template by email for completion.

5E Grant claims and returns

Local government

128. Local government auditors are required to provide assurance on [approved grant claims and other financial returns](#) prepared by councils. Auditors should contact Professional Support if a council requests the certification of a return not included on the approved list. New returns are added only after agreement with the relevant paying department/agency.

129. A TGN on each of the approved returns providing guidance on its certification will be published in April and May 2021. These will confirm the certification and submission deadlines.

130. The main contact is **Anne Cairns**, acairns@audit-scotland.gov.uk, 0131 625 1926.

Auditors should certify only those returns on the approved list

Other sectors

131. Expected fees set by AQA for sectors other than local government do not provide for certifying any grant claims or returns. However, auditors may be approached by bodies with requests for such work. In such cases, auditors should have regard to the following guidelines:

- Certification by internal audit should be encouraged where the paying agency finds this acceptable.
- Where certification by an independent accountant is required, but not specifically the external auditor, bodies may prefer to arrange to have the work carried out by a local firm of accountants.
- Where certification by the external auditor is required, auditors should seek approval from AQA to undertake the work (including any pre-existing returns).

Prior approval is required for certifying returns in sectors other than local government

132. The fee arrangements for such non-audit services (as explained in the [AQA guidance](#)) are a matter for the body and the auditor. The work should not be included in Annual Audit Plans, and firms should bill fees directly to the body. However, in order for AQA to monitor the total fee value of non-audit services, the fee income earned should be reported in the final fee claim progress report.

5F Whole of government accounts

133. Auditors are required to provide assurance on [Whole of Government Accounts](#) (WGA) returns for 2020/21 prepared by local government bodies, non-departmental public bodies (NDPBs) and the Scottish Government by:

- examining returns over a prescribed threshold
- preparing (partially in the case of bodies below the threshold) and submitting an Assurance Statement to the National Audit Office (NAO).

134. Professional Support will publish a TGN which will set out the prescribed threshold, specified testing procedures, and required submission deadlines which auditors are required to follow. The TGN is normally published in July but is dependent on the timely receipt of Group Audit Instructions from the NAO. Instructions for 2019/20 were received in November 2020.
135. The main contact is **Neil Cameron**, ncameron@audit-scotland.gov.uk 0131 625 1797.

5G Correspondence

136. Audit Scotland's Correspondence Team shares all correspondence it receives from the public on an audited body with the relevant auditor to ensure they are aware of the issues of concern that have been raised. The Correspondence Team, in conjunction with the relevant auditors, decides what action to take and aims to provide a response within 30 days.
137. Auditors may be required to carry out preliminary enquiries as part of the annual audit so that the Correspondence Team can provide an appropriate response.
138. Where a case requires work over and above that which is expected within the annual audit, the Correspondence Team will agree with the relevant auditor the involvement required. The scope, number of days, and resources required for the involvement must be agreed with the Correspondence Team in advance of work commencing.
139. Any fee agreed for work in addition to that expected within the annual audit should be no more than the maximum grade-related daily rates set out at paragraph 19, except in exceptional circumstances where the use of experts is required.
140. More information about how Audit Scotland handles correspondence can be found on the [Issues of concern](#) page on the Audit Scotland website.
141. The main contact is **Angela Canning**, acanning@audit-scotland.gov.uk, 0131 625 1835.

5H Statutory objections

142. [Statutory objections](#) refer to the right of an interested person under [section 101](#) of the 1973 Act to object to the unaudited annual accounts of a local government body.
143. Auditors should consider and report on any objections received in accordance with a TGN from Professional Support that will be provided in February 2020.
144. The consideration of objections is part of core annual audit work. However, as it is not possible to anticipate how many (if any) are likely to be received in any year, there is no allowance for this work included in the construction of expected fees. Auditors should refer to section 3 of the [AQA guidance](#) on additional audit work for information in this regard.
145. The main contact is **Paul O'Brien**, pobrien@audit-scotland.gov.uk or 0131 625 1795.

5I Fraud Returns

146. Fraud Returns should be prepared and submitted by auditors in all sectors in accordance with [guidelines](#) provided by Professional Support and on the [returns](#) themselves. Auditors should put arrangements in place to be notified of all frauds:
- involving the misappropriation or theft of assets or cash which are facilitated by weaknesses in internal control
 - over £5,000.
147. Professional Support will then disseminate the information on cases to other auditors and audited bodies by including them in the quarterly Technical Bulletins. In order to allow inclusion in the earliest possible Technical Bulletin, auditors should submit completed fraud returns in accordance with paragraph 16 by the following deadlines:

Auditors in all sectors should report instances of fraud

Quarter 1	Quarter 2	Quarter 3	Quarter 4
30 November 2020	28 February 2021	31 May 2021	31 August 2021

148. In addition to inclusion in the Technical Bulletin, the fraud cases reported during 2020/21 will also be published in an annual report which will be published on the [counter-fraud hub](#) of Audit Scotland's website after the year end.
149. The main contact is **Anne Cairns**, acairns@audit-scotland.gov.uk, 0131 625 1926.

5J Anti-money laundering

150. [The Money Laundering, Terrorist Financing and Transfer of Funds \(Information on the Payer\) Regulations 2017](#) impose an obligation on the Auditor General to inform the National Crime Agency (NCA) if he knows or suspects that any person has engaged in money laundering or terrorist financing. Audit Scotland extended this responsibility to the Accounts Commission in respect of local government.
151. Auditors should ensure they have arrangements in place to be informed of any suspected instances of money laundering at audited bodies. [Guidelines](#) have been provided by Professional Support. Any such instances should be advised to Professional Support immediately. Professional Support will then discuss the matter with the relevant auditor, establish whether it is reportable, obtain sufficient details, and report to the NCA on behalf of the Auditor General or Accounts Commission.
152. The main contact in Professional Support is **Anne Cairns**, acairns@audit-scotland.gov.uk, 0131 625 1926.

Auditors should advise of any suspected money laundering

5K National Fraud Initiative

153. The National Fraud Initiative (NFI) in Scotland is a biennial counter-fraud exercise led by Audit Scotland, and overseen by the Cabinet Office for the UK as a whole. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems that might suggest the existence of fraud or error. Auditors have an important role to play in the success of the next NFI exercise.
154. The following bodies are participating in the 2020/21 NFI:
- all councils, Strathclyde Partnership for Transport, and Tayside Contracts
 - central government bodies specified in this [list](#)
 - all health boards except for the Mental Welfare Commission
 - all colleges.
155. Participating bodies will receive matches for investigation in January 2021. All recommended matches plus any further matches based on findings and the risk of error or fraud should be investigated by 30 September 2021 and the results recorded on the NFI system.
156. Professional Support will monitor the progress of bodies in investigating NFI matches centrally and may advise auditors where progress appears unsatisfactory compared with other bodies. Auditors may then have to discuss progress with the NFI contact in the relevant body. Where appropriate, auditors should include references to NFI in their Annual Audit Reports.
157. The main contact is **Anne Cairns**, acairns@audit-scotland.gov.uk, 0131 625 1926.

Professional Support will advise auditors of unsatisfactory progress in investigating matches

5L Contributing to TGNs

158. Professional Support will consult auditors to obtain their views on TGNs before they are published. It is important that auditors take this opportunity to offer their views on the guidance so that it represents an agreed position. Auditors are expected to contribute effectively to the consultation process based on their practical experience of delivering audits of public bodies.
159. The main contact is **Paul O'Brien**, pobrien@audit-scotland.gov.uk, 0131 625 1795.

Auditors are expected to contribute to TGN consultations

5M Housing benefit performance audits

- 160.** An Audit Scotland team carry out a programme of [housing benefit performance audit](#) work on behalf of the Accounts Commission. Two reviews of the benefits service at individual councils are planned for 2020/21. The two councils have not yet been selected but the relevant auditors will be advised in due course.
- 161.** There may also be planned thematic studies on housing benefits. However, it is not expected that auditors will be involved in this work.
- 162.** The main contact is **David Sim**, dasim@audit-scotland.gov.uk or 0131 625 1786.

5O Shared systems and functions

- 163.** The appendix to auditors' letters of appointment explains how the audit of shared systems or functions should be dealt with under Fee for the Audit. Audit Scotland strongly encourages auditors to seek efficiencies and avoid duplication of effort by liaising closely with other auditors, agreeing an appropriate division of work and sharing audit findings. The arrangements referred to below merit special mention.

**Auditors should
liaise on the audit
of shared systems**

Pension funds

- 164.** Assurances may be sought between auditors of pension funds and auditors of employing bodies in respect of the calculation of pension contributions and reliability of source data passed to actuaries.
- 165.** Professional Support will provide a protocol in 2020/21 for requesting and providing the required assurances. The protocol used in 2019/20 will be reviewed in consultation with auditors to reflect their experience of applying it in practice to identify any improvements. The protocol is expected to be available in January 2021.
- 166.** The main contact is **Paul O'Brien**, pobrien@audit-scotland.gov.uk or 0131 625 1795.

Integration joint boards

- 167.** IJB annual accounts are based on financial information provided by the constituent councils and health board. IJB auditors require assurances from the auditor of the health board and councils in respect of the controls in place at those bodies and the amounts included in the IJB accounts.
- 168.** Professional Support intends developing in consultation with auditors a protocol by which the required assurances for 2020/21 can be requested and provided.
- 169.** The main contact is **Neil Cameron**, ncameron@audit-scotland.gov.uk or 0131 625 1797.

Clinical Negligence and Other Risks Indemnity Scheme

- 170.** The Central Legal Office (CLO) progress legal claims against health boards in respect of clinical and medical negligence under the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS). The CLO categorise the level of risk relating to the settlement of each claim and advise boards accordingly. CNORIS is funded by all boards contributing a share of the total value of the national obligation.
- 171.** Professional Support will carry out review on the CLO's work and in May 2021 provide auditors with a report intended to:
- provide assurance on the methodology used in the calculation of the CNORIS national obligation at 31 March 2021
 - inform auditors' evaluation of the role of the CLO as a management expert.

Service auditor reports on health boards

- 172.** Assurance reports are prepared by service auditors in the health sector under [ISA \(UK\) 402](#) covering the national systems/arrangements summarised in the following table:

Shared service	Service auditor report
<p>Primary care payments</p> <p>This arrangement covers payments made by NHS National Services Scotland (NSS) to primary care practitioners on behalf of health boards for general medical services, general dental services, general ophthalmic services and general pharmaceutical services.</p>	<p>NSS produces an assurance report and procures a service auditor report from KPMG which will be issued in May 2021 to the health boards concerned. The external auditor of the NSS (Mark Taylor, Audit Scotland) will review the work of the service auditor and report the results of the review to other health board external auditors.</p>
<p>National IT contract</p> <p>This contract covers the services provided by ATOS Origin Alliance e.g. controls over the server supporting eFinancials.</p>	<p>NSS procures a service auditor report from KPMG which will be issued in May 2021 to the health boards concerned.</p>
<p>National Single Instance (NSI) eFinancials</p> <p>NHS Ayrshire & Arran host this eFinancials service including the Real Asset Management system on behalf of all Scottish health boards.</p>	<p>The board procure a service auditor report from BDO which will be issued in May 2021 to the health boards concerned.</p>

- 173.** Other service auditor reports may be provided by boards to cover arrangements they have in place with other individual boards. For example, NSS issues a service report to NHS Healthcare Improvement Scotland, NHS 24 etc. for payroll services they provide.
- 174.** Auditors of user bodies should consider the service auditor assurance reports when evaluating health board systems.
- 175.** The main contact is **Neil Cameron**, ncameron@audit-scotland.gov.uk or 0131 625 1797.

Scottish Government systems

- 176.** The Scottish Government includes all agencies within its consolidated accounts. The auditor of the Scottish Government will provide assurance to relevant auditors on the high-level controls within the Government's main systems (SEAS, Payroll) through the management/interim report on the Scottish Government audit expected to be issued in May 2021.
- 177.** The main contact is **Michael Oliphant** - moliphant@audit-scotland.gov.uk, 0131 625 1731.

5P Section 106 charities

- 178.** The audit appointment of council auditors includes the audit of any trust funds falling within [section 106](#) of the 1973 Act that are registered as charities with the Office of the Scottish Charity Regulator (section 106 charities). Due to the size and relative simplicity of the charities, there are a number of differences from normal requirements. For example:
- The expected fee set by AQA does not include the cost of auditing section 106 charities. Auditors should agree the fees for such audits at the same time as agreeing the fee for the council, and report them separately in the Annual Audit Plan.
 - Auditors do not need to prepare separate Annual Audit Reports for section 106 charities.
- 179.** Some councils continue to administer a significant number of section 106 charities. Professional Support will provide information on numbers in December 2020. In order to reduce the number of statements of account that require to be audited, auditors should strongly encourage those councils to:
- reorganise their charities through merging or winding them up, particularly when they appear to be failing to meet their charitable aims (e.g. by not disbursing funds)
 - make full use of the connected charities provisions under Regulation 7 of [Charities Regulations](#).
- 180.** Councils may request that auditors carry out audits for charities where section 106 does not apply. Where auditors accept such a request, they should treat this as non-audit services (explained in the [AQA guidance](#)).
- 181.** The main contact point is **Paul O'Brien**, pobrien@audit-scotland.gov.uk, 0131 625 1795.

Section 6

Publication of audit outputs

Introduction

182. Auditors must submit the Annual Audit Report and all other outputs from the audit to Audit Scotland.

Submission deadlines for Annual Audit Report

183. The Annual Audit Report should be submitted in accordance with paragraph 16. The submission deadlines (which are the same as for the Independent Auditor's Reports) are set out in the following table:

Sector	Submission deadlines
Local government	31 October 2021
Central government:	
Agencies	31 August 2021
NDPBs	31 October 2021
Health	31 August 2021
College	31 December 2021

Auditors should contact AQA if the deadlines cannot be met

Submission on management/interim reports

184. Auditors should submit any management/interim reports to AQA as soon as the final version has been considered by relevant committees in audited bodies.

Completion of audit

185. Auditors must submit all audit outputs for 2020/21 to Audit Scotland before AQA will deem that the audit is complete.

186. Auditors should contact AQA if they are unable to meet the deadlines, explain the reason for the delay and provide the expected date by which the report will be submitted.

187. Auditors will not be held responsible for late submission if they can demonstrate that the delay was caused by audited bodies, and auditors have taken all practicable steps to encourage bodies to respond to draft reports and provide comments for action plans. Auditors should include a reference in their Annual Audit Reports if bodies are consistently late in responding to draft reports.

188. In order to comply with Audit Scotland's accessibility requirements, all submitted outputs must be in a pdf or word format. Scanned documents do not comply with these requirements and are therefore not acceptable.

The audit is not complete until ALL outputs in the required format have been submitted

Publication of audit outputs

189. The following audit outputs will be published on Audit Scotland's [website](#) for each audited body:

- Annual Audit Plan
- management/interim reports
- Annual Audit Report

- Any other reports that are specified in the Annual Audit Plan (or have been completed as a result of an issue or risk identified after the plan has been agreed), except the Independent Auditor's Report and reports on grant claims and WGA etc.

Sensitive or contentious reports

190. It is important that Audit Scotland is made aware of any reports of a sensitive nature or expected to be contentious so that AQA and the Communications Team can prepare for any potential media interest. Auditors should contact media@audit-scotland.gov.uk to promptly advise of any such reports. For example, this could include:

- reports on bodies that are, or have been, the subject of significant political or media (local or national) attention
- reports on subjects such as weak governance, poor financial management, financial difficulties, or major projects and contracts (including ICT)
- modified opinions on the annual accounts.

Contact point

191. The main contact is **Owen Smith**, osmith@audit-scotland.gov.uk, 0131 625 1914.

Guidance on planning 2020/21 audits

If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500 or info@audit-scotland.gov.uk

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