

# Guidance on planning the audit

2021/22 audits



 AUDIT SCOTLAND

Prepared by Professional Support for auditors in all sectors

1 October 2021

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# 1. Introduction

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## 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 2021/22 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 \(2016\)](#), any other relevant guidance from Audit Scotland, [International Standards on Auditing](#) (ISAs UK), and the Public Audit Forum's [Practice Note 10 \(2020\)](#).

## Context for 2021/22 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 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 conducting 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. Due to the impact of COVID-19, the planning guidance for both 2019/20 and 2020/21 set out extended audit completion dates. 2021/22 is the final year of the current audit appointments, and Audit Scotland considers it desirable for 2022/23 audits to commence in accordance with pre-COVID timescales.
6. However, in accordance with the principle that the wellbeing of audit teams and safeguarding audit quality are paramount, Audit Scotland recognises that meeting pre-COVID completion dates for 2021/22 audits is not generally feasible. Audit Scotland has therefore engaged in discussions with stakeholders to determine a reasonably practicable timescale for completing 2021/22 audits. This guidance sets dates that transition to more regular timescales. Audit Scotland is also taking this opportunity to consider what timescales are appropriate for 2022/23 onwards, rather than simply reverting to those that existed pre-COVID.

7. Audit Scotland has sought to reduce the workload placed on auditors for 2021/22 audits to a minimum. This requires to be balanced with the need to satisfy statutory responsibilities and the expectations of stakeholders. Maintaining a pragmatic and flexible approach will enable change at short notice as new issues emerge, or current risks change. Where this impacts on annual audits, an addendum to this guidance may be necessary.

## Summary of audit activities

8. 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.

9. 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 chapter in this guidance which covers each activity.

Auditor activity	Output (produced by auditor)	Output (audit work contributes)	Additional audit activity	Chapter
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, performance audit and impact reports)	Datasets Information returns	Sector overview reports* Performance audit reports* Impact reports*		4

Auditor activity	Output (produced by auditor)	Output (audit work contributes)	Additional audit activity	Chapter
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	NFI audit Questionnaire Reference, if necessary, in Annual Audit Report*	Biennial NFI report*		5K

Auditor activity	Output (produced by auditor)	Output (audit work contributes)	Additional audit activity	Chapter
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	Chapter
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 2021/22)	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

Core audit activity	Output (produced by auditor)	Output (audit work contributes)	Additional audit activity	Chapter
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](#).

10. 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 are important as auditors discuss consistent responses to audit issues which emerge.

## Key changes for 2021/22

11. The following table provides a summary of the key changes in this guidance compared with the 2020/21 guidance:

Nature of change	Relevant chapter
Submission dates for Annual Audit Plans have reverted to pre-COVID dates	1
Rates for additional audit work have been revised	1
Guidance on assessing going concern has been added	2
Target submission dates for audited annual accounts have been moved forward one month from last year	2
Auditors are not asked to carry out any new specific work on the audit dimension areas in addition to their own local risk assessments (with the exception of procurement fraud brought forward from previous years' planning guidance)	3A
Submission date for Best Value Audit Plans has reverted to pre-COVID dates	3B
Councils where a Best Value Assurance Report is required have been updated	3B

Nature of change	Relevant chapter
Auditors are required to complete a return to demonstrate when they have reported their audit work on each of the Best Value themes	3B
The removal of the requirement for auditors in local government to consider Strategic Audit Priorities has been extended to 2021/22	3C
The removal of the requirement for auditors to contribute to performance audit reports or impact reports has been extended to 2021/22	4
The number of local government grant claims requiring certification has been reduced to two	5E
Guidance has been updated on involvement in the National Fraud Initiative	5K

## 2021/22 Annual Audit Plans

12. 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 2021/22 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.

13. Annual Audit Plans must include the following components:

Required component	Explanation
Agreed fee	Auditors should refer to <a href="#">Audit Management and Quality guidance</a> 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 chapter 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 chapter 2.

Required component	Explanation
Non-application of full wider scope	An explanation of the judgement to not apply the full wider scope of audit. Guidance is provided at chapter 3A.

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

- 28 February 2022 (central government and health)
- 31 March 2022 (local government)
- 30 June 2022 (colleges).

15. The above dates (which were deferred one month for 2020/21) have reverted to pre-COVID timescales. If it is not possible to present the plans to those charged with governance before the specified dates (e.g. due to the scheduling of meetings or the impact of the late completion of 2020/21 audits), auditors should submit draft plans by the target date, indicating when the final version will be available, and submit those final plans as soon as possible.

16. 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.

## Submission of outputs

17. 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 <a href="mailto:outputs@audit-scotland.gov.uk">outputs@audit-scotland.gov.uk</a>
Firms	Email to <a href="mailto:outputs@audit-scotland.gov.uk">outputs@audit-scotland.gov.uk</a>

## Fee for the Audit

18. Auditors should use the flexibility within the Fee for the Audit arrangements to resource the audit activities set out in the tables at paragraph 9. 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 guidance is £27,000 (up from £26,000 in 2020/21). 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.

**19.** 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.

**20.** Maximum grade-related daily rates (including VAT at 20%) for additional audit work have been increased in 2021/22 and are set out in the following table:

Partners/Directors	Senior Audit Managers/ Audit Managers	Qualified staff	Other staff
£2,184	£1,224	£740	£494

## Managing transition to 2022/23 audits

**21.** 2021/22 is the final year of the current audit appointments. Rotating the appointment of the external auditor may present risks for the audited body and both the outgoing and incoming auditors if not properly managed. Auditors can minimise disruption to all parties, and maximise the transfer of knowledge of the audited body, by working in partnership with Audit Scotland and each other.

**22.** AQA will produce a guidance note which sets out the actions that auditors should take to ensure an efficient handover of audits that minimises disruption to audited bodies.

## Contact points

**23.** The main contact points for this overview chapter are:

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

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# 2. Auditing the annual accounts

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## Introduction

24. 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 \(2020\)](#) and [guidance](#) from Professional Support.

## Risks of material misstatement in financial statements

25. 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.

26. Professional Support will provide auditors with Technical Guidance Notes (TGNs) to assist in the consistent identification of risks of material misstatements. The TGNs are scheduled to be published in:

- November 2021 ([local government](#))
- January 2022 ([central government](#)), with a module for health boards in February 2022 and colleges in August 2022).

27. 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.

## Statutory Other Information

28. 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.

29. The TGNs will set out the procedures that auditors should carry out.

## Materiality

**30.** 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 \(2016\)](#), 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 \(2020\)](#)
- 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.

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

## Receipt of unaudited annual accounts

**32.** 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 target dates for submitting the audited annual accounts to Audit Scotland (set out later in this chapter).

## Group audits

**33.** 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.

34. 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

35. 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.

36. 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 (e.g. a Frequently Asked Questions output) to promote a consistent approach.

37. Auditors should contact Professional Support by emailing [TechnicalQueries@audit-scotland.gov.uk](mailto:TechnicalQueries@audit-scotland.gov.uk).

## Technical developments

38. 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

39. The [Code of Audit Practice \(2016\)](#) 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.

**40.** 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.

**41.** The TGNs containing guidance on the above for 2021/22, including model Independent Auditor's Reports, are expected to be published in:

- February 2022 (health)
- March 2022 (central government)
- April 2022 (local government)
- August 2022 (colleges).

## Going concern

**42.** The concept of going concern applies in the public sector but in a different way to the private sector. The guidance in [Practice Note 10 \(2020\)](#) on applying ISA (UK) 570 Going Concern advises that in most public bodies, the use of the going concern basis of accounting is straight-forward because the applicable financial reporting frameworks envisage that it will apply where the body's services will continue to be delivered by the public sector. Auditors can therefore conclude that a going concern basis of accounting is appropriate without significant work such as detailed cashflow projections etc.

**43.** It is not expected that auditors will generally have to report any matter in the Independent Auditor's Report in respect of going concern, and can simply use the standard wording in the models as required by ISA (UK) 570.

**44.** More audit work is appropriate where there is an intention by the government to discontinue a body's operations or transfer their functions outwith with the public sector (privatised). If the body's functions are to be discontinued or privatised, auditors may wish to seek confirmation from the sponsor department that the body continues to have financial backing to utilise its assets and meet liabilities as they fall due. If adequate confirmations are received, it is reasonable to conclude that the going concern basis is appropriate. If no such confirmation is provided, auditors may decide there is a material uncertainty to be disclosed.

**45.** Auditors should refer to the fuller guidance provided by Audit Scotland in [Going concern in the public sector - Guide for auditors](#).

## Application of Extended Auditor Reporting

46. Paragraph 100 of the Code of Audit Practice 2016 applies to all Annual Audit Reports the enhancements made to auditor reporting originally included in ISA (UK&I) 700 in 2013.

47. The requirements for Extended Auditor Reporting as it is called are now included in [ISA \(UK\) 701](#) at paragraphs 11(a) and 16-1. In summary, 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.

## Submission of audited annual accounts

### Target submission dates

48. Auditors should aim to submit the audited annual accounts by the target date set for each sector. Submission dates for 2019/20 and 2020/21 were deferred in line with later dates for producing the annual accounts as a result of the impact of COVID.

49. Audit Scotland has set target dates for 2021/22 which transition to more regular timescales. This is subject to agreement with the Scottish Government, and Audit Scotland will confirm the dates in due course.

50. The target dates for 2021/22 are set out in the following table:

Sector	Target dates	Comments
Health	31 August 2022	This is set to be consistent with the administrative date set by the Scottish Government. Pre-COVID, this was 30 June but was moved to 30 September for 2019/20 and 2020/21. It is provisionally set at 31 August for 2021/22.

Sector	Target dates	Comments
Central government - agencies and similar	31 August 2022	The submission date for agencies and similar bodies is, like health, set to be consistent with the administrative dates set by the Scottish Government.
Local government	31 October 2022	This is generally set to be consistent with the accounts regulations which require the annual accounts to be signed off by 30 September. The regulations were amended for 2020/21 to defer that date to 31 October. In addition, provisions in the Coronavirus Scotland Act 2000 permitted a further deferral to 30 November; those provisions have expired and do not apply in 2021/22. Audit Scotland has provisionally set a target date of 31 October (which requires a further amendment to the accounts regulations for 2021/22).
Central government – NDPBs and similar	31 October 2022	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 date.
College	31 December 2022	This is set to be consistent with the submission date set by the Scottish Funding Council.

**51.** Audit Scotland requires audit providers to prioritise the wellbeing of audit staff and the delivery of high-quality audits over meeting the above dates. For the avoidance of doubt, Audit Scotland expects a target submission date to be missed for a particular audit if it cannot be achieved without compromising wellbeing or audit quality.

## Signatures

**52.** 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.

**53.** Where auditors use an alternative qualified electronic signatures system, they should submit the signed audited annual accounts in accordance with paragraph 17. The accounts must be in an electronically searchable pdf format. A paper copy is not required.

## Paper copies of accounts

**54.** Where a qualified electronic signature system is not used, in addition to submission in accordance with paragraph 17, 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

**55.** 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

**56.** 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 2022. 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.

**57.** 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.

**58.** 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

**59.** Local government bodies are required to publish their 2021/22 annual accounts on their website no later than 31 October 2022 (or such later date as may be set for 2021/22). Bodies in other sectors must wait until their annual accounts have been laid in Parliament before publishing them on their websites.

**60.** 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

61. 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	<a href="mailto:pobrien@audit-scotland.gov.uk">pobrien@audit-scotland.gov.uk</a> or 0131 625 1795
Submission and laying of audited annual accounts	Owen Smith	<a href="mailto:osmith@audit-scotland.gov.uk">osmith@audit-scotland.gov.uk</a> or 0131 625 1914
DocuSign	John Gilchrist	<a href="mailto:jgilchrist@audit-scotland.gov.uk">jgilchrist@audit-scotland.gov.uk</a> or 0131 625 1659

# 3. Audit dimensions, Best Value, and similar areas

## Introduction

62. The [Code of Audit Practice 2016](#) 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.

63. 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

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



## Risk assessments

65. Auditors should consider the arrangements in place for the audit dimensions when undertaking their annual risk assessment of the audited body and preparing their 2021/22 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.

66. Audit Scotland's [Audit Dimensions](#) supplementary guidance provides a series of key questions as examples of what auditors should consider when planning their audit work.

67. In order to supplement auditors' own risk assessments, guidance on planning 2019/20 audits advised auditors of all bodies (other than those where the full wider scope is not judged to be appropriate) 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 and report on the effectiveness and appropriateness of the arrangements in the Annual Audit Report (as part of their overall conclusion on financial management) before the end of the audit appointment. If this work has not yet been carried out, auditors should do so in 2021/22. With that one exception, the assessment of significant risks is being left to auditors' judgement.

## Smaller audited bodies

68. Where auditors judge that the full audit dimensions work is not appropriate for a particular body, this judgement must be documented in the 2021/22 Annual Audit Plan. The judgement should be 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).

## Reporting

70. Auditors should include the following in their 2021/22 Annual Audit Reports:

- a summary of the any audit work undertaken during the year in response to identified significant 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.

## Contact points

71. The main contacts are:

Area	Contact	Contact details
Audit dimensions	Owen Smith	<a href="mailto:osmith@audit-scotland.gov.uk">osmith@audit-scotland.gov.uk</a> or 0131 625 1914
Fraud and corruption risks	Anne Cairns	<a href="mailto:acairns@audit-scotland.gov.uk">acairns@audit-scotland.gov.uk</a> 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. 2021/22 is the final year 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 year 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 chapter 5A) and annual planning processes.

76. The BVAP is an internal document that does not need to be listed as an output in the Annual Audit Plan. Auditors should submit their BVAP to Audit Scotland in accordance with paragraph 17 to help planning for BV support. For 2021/22, the submission date has reverted to 31 March 2022 (having been deferred to 30 April for 2020/21).

77. Auditors should reflect the scheduled BV audit coverage for 2021/22 in the Annual Audit Plan for that year.

78. In 2021/22, auditors are also required to complete a return to demonstrate when they have reported their audit work on each of the BV themes. The latest judgement on the pace and depth of continuous improvement in the council is

also to be included. Auditors should submit their BV returns to Audit Scotland in accordance with paragraph 17 by 30 June 2022. These returns will provide intelligence for the handover of audits for 2022/23, when the new approach to BV audit, fully integrated with the annual audit, will be introduced.

**79.** 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 2021/22 audits for the following councils:

BVAR councils	PABV link managers	Contact details
Shetland Islands	Mark MacPherson	<a href="mailto:MMacpherson@audit-scotland.gov.uk">MMacpherson@audit-scotland.gov.uk</a> or 0131 625 1828
Comhairle nan Eilean Siar	Jillian Matthew	<a href="mailto:JMatthew@audit-scotland.gov.uk">JMatthew@audit-scotland.gov.uk</a> or 0131 625 1844
Moray Follow Up	Jillian Matthew	As above
Angus	Blyth Deans	<a href="mailto:BDeans@audit-scotland.gov.uk">BDeans@audit-scotland.gov.uk</a> or 0131 625 1953

**80.** 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.

**81.** Auditors should report findings and judgements on BV audit work in the 2021/22 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.

**82.** 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.

**83.** 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.

**84.** 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 2021/22.

**85.** The main contact is Fiona Mitchell-Knight, [fmitchell-knight@audit-scotland.gov.uk](mailto:fmitchell-knight@audit-scotland.gov.uk), 0131 625 1937.

### **BV in other local government bodies**

**86.** 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.

**87.** 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.

**88.** 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.

**89.** The main contact is Fiona Mitchell-Knight, [fmitchell-knight@audit-scotland.gov.uk](mailto:fmitchell-knight@audit-scotland.gov.uk), 0131 625 1937.

### **BV in sectors other than local government**

**90.** 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.

**91.** 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 generally determined by the annual risk assessment carried out by auditors. However, there is an expectation that equalities will be advanced through the audit process, and auditors have been advised to carry out work on the Fairness and Equality characteristic at least once during the audit appointment. Auditors should therefore aim to cover that area in 2021/22 if they have not done so in an earlier year.

**92.** 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.

**93.** The main contact is Fiona Mitchell-Knight, [fmitchell-knight@audit-scotland.gov.uk](mailto:fmitchell-knight@audit-scotland.gov.uk), 0131 625 1937.

## **3C Strategic Audit Priorities**

**94.** 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.

95. 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 2021/22 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 2021/22.

96. The main contact is Paul Reilly, [preilly@audit-scotland.gov.uk](mailto:preilly@audit-scotland.gov.uk) or 0131 625 1809.

### 3D Councils' Statutory Performance Information

97. 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 [Statutory Performance Information Direction](#) in December 2018 which continues to apply in 2021/22. It 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.

98. Auditors have a statutory responsibility to satisfy themselves that councils have made the necessary arrangements for collecting, recording, and publishing the statutory performance information. The Code of Audit Practice 2016 requires auditors to report a conclusion on the effectiveness and appropriateness of the arrangements along with recommendations for any improvement.

99. Auditors should ensure they have sufficient evidence on which to base their conclusion on the suitability of the arrangements in 2021/22. This may include evidence collected in a previous year where auditors judge that it remains valid. Auditors should follow up recommendations made in previous years and consider whether they have been actioned.

100. The COVID-19 pandemic is expected to have had a substantial impact on performance reporting. Auditors may therefore identify further areas for improvement.

101. The main contact is Paul Reilly, [preilly@audit-scotland.gov.uk](mailto:preilly@audit-scotland.gov.uk) or 0131 625 1809.

# 4. Contributing to performance audits

## Introduction

**102.** 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

**103.** 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 and a summary of the college sector.

**104.** 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.

**105.** 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 17. Key information for completing and submitting the datasets are set out in the following table:

Report	Contact	Available in	Expected input
NHS in Scotland 2022	Leigh Johnston <a href="mailto:ljohnston@audit-scotland.gov.uk">ljohnston@audit-scotland.gov.uk</a> or 0131 626 1977	June 2022	1 to 2 days

Report	Contact	Available in	Expected input
Local government in Scotland: Financial overview 2021/22	Blyth Deans <a href="mailto:bdeans@audit-scotland.gov.uk">bdeans@audit-scotland.gov.uk</a> or 0131 625 1953	March 2022	3 days
Scotland's colleges 2023	Rebecca Seidel <a href="mailto:rseidel@audit-scotland.gov.uk">rseidel@audit-scotland.gov.uk</a> or 0131 625 1873	October 2022	1 to 2 days

## Performance audit reports and impact reports

106. 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 2021/22 audits.

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# 5. Other wider scope audit work

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## Introduction

**107.** 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

**108.** 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.

**109.** 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.

**110.** 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.

**111.** The COVID-19 pandemic has impacted on the work of all local government scrutiny 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. 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.

**112.** Any queries on scrutiny coordination and the SRA process should be directed to Mark McCabe, [mmccabe@audit-scotland.gov.uk](mailto:mmccabe@audit-scotland.gov.uk) 0131 625 1806.

## 5B Sharing intelligence for health and social care

**113.** 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.

**114.** 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.

**115.** The meetings are [scheduled](#) to take place every two months up to March 2022. 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 17.

**116.** The main contact is Leigh Johnston [ljohnston@audit-scotland.gov.uk](mailto:ljohnston@audit-scotland.gov.uk) or 0131 625 1977.

## 5C Statutory reports

**117.** 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 Committee 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.

**118.** 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.

**119.** 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.

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

Sector	Name	Contact details
Local government	Anne MacDonald	<a href="mailto:amacdonald@audit-scotland.gov.uk">amacdonald@audit-scotland.gov.uk</a> , 0131 625 1903
Central government	Gemma Diamond and Mark Roberts	<a href="mailto:gemmamark@audit-scotland.gov.uk">gemmamark@audit-scotland.gov.uk</a> , 0131 625 1617
Health	Leigh Johnston	<a href="mailto:ljohnston@audit-scotland.gov.uk">ljohnston@audit-scotland.gov.uk</a> , 0131 625 1977
College	Rebecca Seidel	<a href="mailto:rseidel@audit-scotland.gov.uk">rseidel@audit-scotland.gov.uk</a> , 0131 625 1873

**121.** 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.

**122.** Firms should base fees on no more than the maximum grade-related daily rates set out at paragraph 20 for work beyond the core scope, except in exceptional circumstances where the use of experts is required.

## 5D Communicating current issues

**123.** 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. While judgement should be exercised when selecting which issues to highlight, auditors are encouraged to liaise directly with the relevant sector contact listed at paragraph 120 (by telephone or email) to discuss whether an issue is of sufficient strategic interest to be reported.

**124.** In previous years, auditors have been required to prepare periodic current issues returns. With the exception of local government, that requirement was dispensed with, but auditors are still required to keep sector contacts up-to-date with noteworthy issues by other less formal means.

**125.** Current issue returns for local government represent an important source of intelligence for the Accounts Commission's Financial Audit and Assurance

Committee (FAAC) in its role in considering strategic risks arising from the annual audit. The Accounts Commission also uses the current issues process to inform its forward work programme.

**126.** Current issues returns should focus on the more significant emerging audit issues but should also include key developments for information (e.g. changes in leadership, media headlines).

**127.** Auditors are reminded that current issue returns should cover wider scope public audit responsibilities, including the arrangements for best value, and should not be limited to matters associated with the annual accounts. Auditors are therefore encouraged to use quarterly current issues reports and other reports considered by FAAC in building a perspective of the prevalence of risks across the local government sector.

**128.** In order to demonstrate a connection between an emerging audit issue and risk, issues reported to FAAC will be categorised in line with Audit Scotland's assessment of the strategic risks affecting the public sector. Strategic risks have been identified as follows:

- ineffective leadership and governance including a shortfall in skills and capacity
- failures in economic recovery and growth including the effect of withdrawal from the European Union
- challenging financial position and growing concern about financial sustainability
- rising inequalities and weakened human rights
- failure to deliver innovation and performance including reduced digital governance and cyber resilience
- impact of constitutional change.

**129.** It is anticipated that current issues returns will be completed based on existing knowledge from auditors' ongoing engagement with audited bodies. On occasion, auditors may be requested to provide specific information on an issue so that FAAC can be provided with the emerging picture across local government. Returns should not be onerous to complete but auditors are encouraged to ensure that engagement meetings are timely for the submission of current issues.

**130.** Early reporting is recommended 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.

**131.** Auditors 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 to FAAC that the matter is being appropriately addressed as part of the local audit.

132. The following table provides some illustrative examples of potential current issues:

Category	Illustrative reportable issue	Auditor response
Failure to deliver innovation and performance	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.	A detailed review of severance arrangements including the impact on service delivery will be undertaken as part of the audit and reported through the Annual Audit Report.
Challenging financial position	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.	Wider scope review of the financial position including consideration of budget monitoring reports, financial assumptions used and regular engagement with the Head of Finance.
Ineffective leadership and governance	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 2020/21 budget, the conservative group have now stepped away from the working group and intend to prepare their own 2021/22 budget.	Wider scope consideration of the impact of political changes on the effectiveness of the council's decision making and scrutiny processes.  Regular engagement with the Chief Executive and Leader of the council.  Potential coverage in the Annual Audit Report.

133. Auditors must submit completed current issues returns (or confirm a nil return if there is nothing new to report) for each body by the following dates:

- 21 January 2022
- 22 April 2022

- 22 July 2022
- 21 October 2022 (any issues included in the Annual Audit Report do not have to be repeated, though any updates on those issues should be provided).

**134.** In advance of each submission date, auditors will be provided with a template for completion as set out below. The template will include any additional guidance (if appropriate) for that quarter's return and details of the submission email address:

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

**135.** Following FAAC meetings, relevant auditors will be advised of issues on which the committee expressed a wish to be updated. Relevant auditors should ensure that updates are provided in subsequent submissions until matters have been appropriately concluded by bodies.

## 5E Grant claims and returns

### Local government

**136.** Local government auditors are required to provide assurance on [approved grant claims and other financial returns](#) prepared by councils. As a result of rationalising the list, only two returns remain for 2021/22, i.e. housing benefit subsidy and non-domestic rates (NDR). A TGN on each providing guidance on its certification are scheduled for publication in April (subsidy) and May (NDR) 2022. These will confirm the certification and submission dates.

**137.** 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.

**138.** The main contact is Anne Cairns, [acairns@audit-scotland.gov.uk](mailto:acairns@audit-scotland.gov.uk), 0131 625 1926.

### Other sectors

**139.** 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).

**140.** 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

**141.** Auditors are required to provide assurance on [Whole of Government Accounts](#) (WGA) returns for 2021/22 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).

**142.** Professional Support will publish a TGN which will set out the prescribed threshold, the specified testing procedures which auditors are required to follow, and target submission dates. The TGN is normally published in July but is dependent on the timely receipt of Group Audit Instructions from the NAO. Instructions for the last couple of years have been received towards the end of the calendar year and auditors should be prepared for that possibility.

**143.** The main contact is Neil Cameron, [ncameron@audit-scotland.gov.uk](mailto:ncameron@audit-scotland.gov.uk) or 0131 625 1797.

## 5G Correspondence

**144.** 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.

**145.** 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.

**146.** 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.

**147.** 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 20, except in exceptional circumstances where the use of experts is required.

148. More information about how Audit Scotland handles correspondence can be found on the [Issues of concern](#) page on the Audit Scotland website.

149. The main contact is Carol Calder, [ccalder@audit-scotland.gov.uk](mailto:ccalder@audit-scotland.gov.uk), 0131 625 1804.

## 5H Statutory objections

150. [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.

151. Auditors should consider and report on any objections received in accordance with a TGN from Professional Support that is scheduled to be published in April 2022.

152. 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.

153. The main contact is Paul O'Brien, [pobrien@audit-scotland.gov.uk](mailto:pobrien@audit-scotland.gov.uk) or 0131 625 1795.

## 5I Fraud Returns

154. 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 ensure arrangements are in place to be notified of all frauds at audited bodies:

- involving the misappropriation or theft of assets or cash which are facilitated by weaknesses in internal control
- over £5,000.

155. 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 17 by the following dates:

Quarter 1	Quarter 2	Quarter 3	Quarter 4
30 November 2021	28 February 2022	31 May 2022	31 August 2022

156. In addition to inclusion in the Technical Bulletin, the fraud cases reported during 2021/22 will also be published in Audit Scotland's annual report on fraud and irregularity. This report will be published on the [counter-fraud hub](#) of Audit Scotland's website after the year end.

157. The main contact is Anne Cairns, [acairns@audit-scotland.gov.uk](mailto:acairns@audit-scotland.gov.uk), 0131 625 1926.

## 5J Anti-money laundering

158. Auditors should ensure arrangements are 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.

159. The main contact in Professional Support is Anne Cairns, [acairns@audit-scotland.gov.uk](mailto:acairns@audit-scotland.gov.uk), 0131 625 1926.

## 5K National Fraud Initiative

160. 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.

161. 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
- all colleges.

162. Participating bodies received matches for investigation from January 2021. Most matches should have been investigated by 30 September 2021 and the results recorded on the NFI system.

163. However, some investigations may continue beyond this date. Where that is the case, auditors should continue to monitor their audited bodies' participation and progress during 2021/22 and, where appropriate, include references to NFI in their Annual Audit Reports.

164. Auditors must complete a short questionnaire for each body participating in the NFI. Auditors will be provided with the questionnaire by 31 December 2021 and should complete and submit it by 28 February 2022. The information provided will be used in Audit Scotland's next NFI report, due to be published in summer 2022.

165. The main contact is Anne Cairns, [acairns@audit-scotland.gov.uk](mailto:acairns@audit-scotland.gov.uk), 0131 625 1926.

## 5L Contributing to TGNs

**166.** 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.

**167.** The main contact is Paul O'Brien, [pobrien@audit-scotland.gov.uk](mailto:pobrien@audit-scotland.gov.uk), 0131 625 1795.

## 5M Housing benefit performance audits

**168.** An Audit Scotland team carry out a programme of housing benefit performance audit work on behalf of the Accounts Commission. The team conducts a quarterly risk assessment of council's performance and carries out performance audit activity, where appropriate. Relevant auditors are advised in due course.

**169.** Housing benefit thematic studies may also be planned. However, it is not expected that auditors will be involved in this work.

**170.** The main contact is Carole Grant, [cgrant@audit-scotland.gov.uk](mailto:cgrant@audit-scotland.gov.uk).

## 5O Shared systems and functions

**171.** 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.

### Pension funds

**172.** Professional Support produces protocols to provide an agreed framework for auditors to seek and provide assurances in specific areas. The [assurance protocols](#) that will be produced for 2021/22 audits are set out in the following table:

Protocol	Subject	Scheduled publication
Local Government Pension Scheme	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.	January 2022

Protocol	Subject	Scheduled publication
Integration Joint Boards (IJB)	IJB annual accounts are based on financial information provided by the constituent council and health board. IJB auditors require assurances from the auditor of the constituent authorities in respect of the controls in place at those bodies and the amounts included in the IJB accounts.	February 2022
Clinical Negligence and Other Risks Indemnity Scheme (CNORIS)	Professional Support carries out review of the Central Legal Office's (CLO) work and provides auditors with a report intended to: <ul style="list-style-type: none"> <li>provide assurance on the methodology used in the calculation of the CNORIS national obligation at 31 March 2021</li> <li>inform auditors' evaluation of the role of the CLO as a management expert</li> </ul>	May 2022

173. The main contact is Neil Cameron, [ncameron@audit-scotland.gov.uk](mailto:ncameron@audit-scotland.gov.uk) or 0131 625 1797.

### Service auditor reports on health boards

174. 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><b>Primary care payments</b></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 2022 to the health boards concerned. The external auditor of the NSS (Carole Grant, 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><b>National IT contract</b></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 2022 to the health boards concerned.</p>
<p><b>National Single Instance (NSI) eFinancials</b></p> <p>NHS Ayrshire &amp; Arran host this eFinancials service including the Real Asset Management system on behalf of all Scottish health boards.</p>	<p>The board are in the process of procuring a new service audit provider to report on arrangements in 2021/22 to the health boards concerned.</p>

**175.** 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.

**176.** Auditors of user bodies should consider the service auditor assurance reports when evaluating health board systems.

**177.** The main contact is Neil Cameron, [ncameron@audit-scotland.gov.uk](mailto:ncameron@audit-scotland.gov.uk) or 0131 625 1797.

### Scottish Government systems

**178.** 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 June 2022.

**179.** The main contact is Helen Russell - [hrussell@audit-scotland.gov.uk](mailto:hrussell@audit-scotland.gov.uk), 0131 625 1944.

## 5P Section 106 charities

**180.** 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.

**181.** Some councils continue to administer a significant number of section 106 charities. Professional Support will provide information on numbers in December 2021. 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.

**182.** 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).

**183.** The main contact point is Paul O'Brien, [pobrien@audit-scotland.gov.uk](mailto:pobrien@audit-scotland.gov.uk), 0131 625 1795.

# 6. Publication of audit outputs

## Introduction

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

## Target submission dates for Annual Audit Report

**185.** The Annual Audit Report should be submitted in accordance with paragraph 17. The target submission dates (which are the same as for the Independent Auditor's Reports) are set out in the following table:

Sector	Submission dates
Local government	31 October 2022
Central government agencies etc	31 August 2022
Central government NDPBs	31 October 2022
Health	31 August 2022
College	31 December 2022

## Submission on management/interim reports

**186.** 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

**187.** Auditors must submit all audit outputs for 2021/22 to Audit Scotland before AQA will deem that the audit is complete.

**188.** Auditors should contact AQA if they are unable to meet the target submission dates, explain the reason for the delay and provide the expected date by which the report will be submitted.

**189.** 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.

## Publication of audit outputs

**190.** 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

**191.** 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.

**192.** All outputs published on the Audit Scotland website should comply with The Public Sector Bodies (Websites and Mobile Applications) (No. 2) Accessibility Regulations 2018. These regulations require public sector bodies to ensure their websites and mobile applications meet accessibility requirements. Auditors should refer to guidance on accessibility provided by Audit Scotland's Communications Team.

## Sensitive or contentious reports

**193.** 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](mailto: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

**194.** The main contact is Owen Smith, [osmith@audit-scotland.gov.uk](mailto:osmith@audit-scotland.gov.uk), 0131 625 1914.



# Guidance on Planning the Audit

## 2021/22 audits

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Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN

Phone: 0131 625 1500 Email: [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)

[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)