

# Guidance on planning the audit

## 2018/19



 AUDIT SCOTLAND

Prepared for appointed auditors in all sectors

1 October 2018

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

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# 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 2018/19 audits.
2. Appointed auditors must observe this planning guidance, as well their statutory duties, letters of appointment, the [Code of Audit Practice](#), [International Auditing Standards \(ISAs UK\)](#), [Practice note 10](#), and any other relevant guidance from Audit Scotland when carrying out their audits.

## Summary of core audit work

3. A key responsibility of appointed auditors is auditing, and expressing opinions on, the annual accounts. However, core audit work has a wider scope and reaches into judgements on governance, financial sustainability and performance.
4. The following table summarises:
  - the main activities that comprise core audit work
  - the products associated with each activity (with those produced by the appointed auditor in bold, and those for which auditors' work contributes in italics)
  - additional activity not provided for when setting the expected fee for the audit
  - the section in this guidance which covers each activity.

Activity	Product	Activity not provided for in expected fee	Section
Perform an ISA (UK)-compliant audit of the annual accounts	<b>Annual audit plan*</b> <b>Management/Interim report(s)*</b> <b>Independent auditor's report</b>		2
Audit and report on the audit dimensions	<b>Annual audit plan*</b> <b>Annual audit report*</b>		3
Contribute to performance audits (including performance audit reports, overview reports and impact reports)	<b>Minimum datasets</b> <b>Data returns</b> <i>Performance audit reports*</i>		4

Activity	Product	Activity not provided for in expected fee	Section
Share intelligence with health and social care national agencies	<b>Intelligence template</b>		5C
Share audit intelligence with Audit Scotland including highlighting potential statutory reports	<b>Current issues returns</b> <i>Current issues report</i> <i>Statutory reports*</i>	Further work to contribute to production of statutory reports	5E
Provide assurance on Whole of Government Accounts (WGA)	<b>Assurance statement on WGA return</b> <i>Treasury WGA</i>		5G
Carry out preliminary enquiries into referred correspondence	<i>Response to correspondents</i>	Conduct a review as agreed with the Correspondence Team	5I
Provide information on cases of fraud	<b>Fraud returns</b> <i>Technical Bulletins*</i> <i>Annual fraud report</i>		5J
Provide information on cases of money laundering	To be advised		5K
Contribute to National Fraud Initiative (NFI) report	<b>NFI audit questionnaire</b> <b>Reference, if necessary, in annual audit report*</b> <i>Biennial NFI report*</i>		5L
Contribute to technical guidance notes	<b>Consultation comments on draft technical guidance notes</b> <i>Technical guidance notes</i>		5K
Contribute to technical databases	<b>Database returns</b> <i>Technical database</i>		5N

Local government only			Section
Audit and report on Best Value	<b>Best Value audit plan</b> <b>Annual audit report*</b> <b>Best Value Assurance Report (where applicable)*</b> <i>Controller of Audit's Annual Assurance and Risks Report*</i>	Additional work to support Best Value Assurance Report	3
Consider and report on the Strategic Audit Priorities	<b>Annual audit plan*</b> <b>Best Value audit plan</b> <b>Annual audit report*</b>		5A
Lead the Shared Risk Assessment	<b>Any locally agreed output</b> <i>National Scrutiny Plan*</i>		5B
Carry out Statutory Performance Information work	<b>Annual audit plan*</b> <b>Annual audit report*</b>		5D
Cerify grant claims	<b>Certificate in support of grant claims</b>		5F
Liaise with housing benefit performance auditor	<i>HB audit report</i>		5H

\* published on Audit Scotland's website.

5. Auditors should use the flexibility within the fee for audit arrangements (explained at Appendix 1) to resource the activities set out in the above table. Any work commissioned from auditors outwith the core audit work 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), assuming that the work cannot be accommodated by increasing the fee agreed with the body (explained at Appendix 2 of this guidance).
6. 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 and a number of sector-specific meetings for all auditors with audit appointments in a sector.

## Changes for 2018/19

7. The following table provides a summary of the main changes in this guidance:



Nature of change	Relevant section
The structure of the guidance has been refreshed and revised to focus on each core audit activity.	All
There have been changes to the submission requirements for audit outputs: <ul style="list-style-type: none"> <li>• The email address has changed to <a href="mailto:outputs@audit-scotland.gov.uk">outputs@audit-scotland.gov.uk</a></li> <li>• Audit Services Group (ASG) should email a hyperlink to <a href="mailto:outputs@audit-scotland.gov.uk">outputs@audit-scotland.gov.uk</a> after they have saved the document to ishare.</li> </ul>	Various
The list of wider scope risk areas has been refreshed.	3
The list of councils which will receive a Best Value audit during the year has been updated.	3
The local auditor input requirements for the performance audit work programme has been updated.	4
The Strategic Audit Priorities for local government have been refreshed.	5A
Appointed auditors are expected to lead the Shared Risk Assessment. There is no longer a requirement for Local Area Networks to produce a local scrutiny plan.	5B
A reference has been added to the Sharing Intelligence for Health and Care Group.	5C
Enhanced guidance has been provided on the role of appointed auditors in highlighting potential statutory reports. A current issues return for health boards is no longer required in July.	5E
There are new quarterly reporting arrangements for fraud returns.	5J
A reference has been added to anti-money laundering arrangements.	5K
A reference has been added on assurance arrangements for pension funds.	5P
The remuneration rate used to calculate fees has increased by 2.3% based on Audit Scotland's scale uplift.	Appendix 1
The maximum grade-related daily rates have been updated.	Appendix 2
The policy on non-audit services has been revised.	Appendix 2
There is a new requirement to submit an annual quality report.	Appendix 5

## 2018/19 annual audit plans

8. As part of the audit planning process, appointed auditors should prepare an annual audit plan that documents how they intend to meet their responsibilities in 2018/19. 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.

9. Annual audit plans must include the following components:

Required component	Explanation
Agreed fee	This allows Audit Scotland's Audit Quality and Appointments (AQA) to accurately invoice audited bodies. Guidance is provided at Appendix 1.  Auditors must advise AQA if fees have not been agreed before the annual audit plan is presented to those charged with governance explaining why and the current position of fee negotiations.
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 these risks in the annual audit plan.
Outputs	A complete list of outputs to report to those charged with governance planned for the year.
Responsibilities	The respective responsibilities of audited bodies and appointed auditors.
Independence	Confirmation of the independence of the appointed auditor.
Materiality	Information on materiality. Guidance is provided at section 2.
Non-application of wider scope	An explanation of the judgement to not apply the full wider scope of audit where such a judgement has been made.

10. Auditors should submit annual audit plans to AQA as soon as they have been presented to those charged with governance, and no later than the dates specified in the following table:

Sector	Submission deadline for annual audit plan
Central government	28 February 2019
Health	
Local government	29 March 2019*
College	28 June 2019

\*Local government deadlines are later than other sectors to allow them to reflect the Shared Risk Assessment process (explained at section 5B).

11. Auditors should submit annual audit plans to AQA as follows:

Auditor	Submission
ASG	Save in the appropriate audited body's <b>Financial Audit - Outputs</b> library on ishare 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>

12. AQA uses management information from annual audit plans, including agreed fees and target dates for submitting audit outputs, as part of the assessment of audit quality. The target dates should be when auditors expect to submit the final version, including an agreed action plan where applicable.
13. 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
  - clearly identify whether the fee has been agreed with the audited body.

## Contact points

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

Area	Contact	Contact details
General enquiries	Paul O'Brien	<a href="mailto:pobrien@audit-scotland.gov.uk">pobrien@audit-scotland.gov.uk</a> or 0131 625 1795
Annual audit plans	Owen Smith	<a href="mailto:osmith@audit-scotland.gov.uk">osmith@audit-scotland.gov.uk</a> or 0131 625 1914

# 2 Auditing the annual accounts

## Introduction

15. Appointed auditors are required to audit the annual accounts in accordance with ISAs (UK) and express a number of audit opinions in an independent auditor's report.

## Risks of material misstatement

16. As part of auditing the annual accounts, auditors are required by [ISA \(UK\) 315](#) to:
- identify and assess risks of material misstatement in the annual accounts
  - determine whether any of the identified risks are significant and therefore require special audit attention.
17. Professional Support will provide auditors with technical guidance notes (TGNs) for each sector to assist in the consistent identification of risks of material misstatements. The TGNs are expected to be published in:
- **November 2018** (local government)
  - **January 2019** (central government)
  - **February 2019** (health)
  - **August 2019** (college).

Updates to TGNs may be published subsequently as required.

18. The TGNs will also assist auditors in performing an efficient audit by explaining the correct 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 a consistent approach to common risks.
19. Professional Support will also provide periodic updates to keep auditors' knowledge up-to-date on the main public sector technical developments in the quarter that are relevant to their audit appointment, and to provide guidance on any emerging risks.

## Materiality

20. In accordance with paragraph 93 of the [Code of Audit Practice](#), auditors should 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.
21. Auditors should 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](#).

22. Auditors should also include the 'clearly trivial' thresholds for accumulating and reporting misstatements in their audit plans. This threshold should also reflect the public interest factor and must not exceed £250,000.

## Receipt of unaudited accounts

### Local government sector

23. Local government bodies are required by [The Local Authority Accounts \(Scotland\) Regulations 2014](#) (the accounts regulations) to submit unaudited annual accounts to their auditor by **30 June 2019**.

### Other sectors

24. Bodies preparing their accounts under the [Public Finance and Accountability \(Scotland\) Act 2000](#) (PFA Act) have a 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).

## Independent auditor's report

25. The [Code of Audit Practice](#) requires appointed auditors to set out the results of their audit of the annual accounts in an independent auditor's report in accordance with TGNs prepared annually by Professional Support.
26. Auditors are required to express opinions in their independent auditor's reports 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 applicable legal requirements
27. 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.
28. The TGNs containing guidance on the above for 2018/19, including model independent auditor's reports, are expected to be published in:
- **March 2019** (health and central government)
  - **April** (local government)
  - **August** (college).

## Key audit matters

29. [ISA \(UK\) 701](#) requires listed companies and bodies that are required to or have voluntarily adopted the UK Corporate Governance Code to communicate key audit matters in the independent auditor's report. It is intended to address both the auditor's judgement as to what to communicate in the auditor's report and the form and content of such communication. ISA (UK) 701 applies to only two public bodies (Scottish Water and Aberdeen City Council) and the model independent audit's reports for those bodies reflect that requirement.
30. However, Audit Scotland believes that enhanced reporting improves stakeholder understanding of the audit and the issues considered by the auditors. The Code of Audit Practice therefore extends the reporting requirement of ISA (UK) 701 in the interests of transparency to all audits carried out under appointment. However, the disclosures require to be included in the annual audit report rather than the independent auditor's report.

## Submission of audited accounts

31. Auditors should submit the audited annual accounts in accordance with the deadlines for each sector set out in the table below:

Sector	Submission deadlines for audited accounts
Health	30 June 2019*
Local government	30 September 2019
Central government	31 October 2019** (14 June for Scottish Water)
College	31 December 2019

\* 30 June falls on a Sunday in 2019. The Scottish Government Health and Social Care Directorate (SGHSCD) sets the deadline for certification and does not provide for the date to be the following working day. Auditors should also email the excel version of the accounts and accompanying assurance statement to the SGHSCD as well as submitting to Audit Scotland.

\*\* Although the statutory deadline is 31 December, Audit Scotland has set an earlier deadline to allow for the laying process and any statutory reporting. However, Audit Scotland will not hold auditors responsible if the body refuses to meet the earlier deadline.

32. If there is a need to complete the audit in a shorter timescale due to a sponsor department requirement or to support the group audit opinion, auditors should aim to meet such requirements.
33. Local government bodies (or a committee whose remit includes audit or governance) must meet by **30 September 2019** to consider the annual accounts and approve them for signature. Immediately after approval, specified members and officers must sign and date the

accounts and then provide them to the auditor. Auditors should plan their audit completion timetable to meet this deadline and, where possible, attend the relevant meeting and sign the accounts without delay.

34. Auditors should submit signed audited annual accounts to AQA as set out in the following table:

Auditor	Submission		
ASG	Save the accounts* in the appropriate audited body's <b>Key Client Documents</b> library on ishare and email a hyperlink to <a href="mailto:outputs@audit-scotland.gov.uk">outputs@audit-scotland.gov.uk</a>		
Firms	Email the accounts* to <a href="mailto:outputs@audit-scotland.gov.uk">outputs@audit-scotland.gov.uk</a>		
All audit	Send the specified number of wet signed hard copies of accounts to the following address: Owen Smith Audit Scotland 102 West Port Edinburgh EH3 9DN	<b>Sector</b>	<b>Number of sets</b>
		Local government	1
		Central government (SPA)	2 (3)
		Health	2
		College	2

\* The accounts must be in an electronically searchable pdf format (and excel for health boards). The signatures can be typed.

35. In addition to the above, the number of signed sets of audited annual accounts required by the audited body (including the SGHSCD for health boards) should be agreed locally.

## Laying accounts

36. AQA will arrange for one set of accounts (other than local government) to be sent to Ministers to be laid before the Scottish Parliament (the other copy will be retained). The minister of the appropriate department is responsible for laying the accounts in Parliament:
- In most cases, Audit Scotland sends the accounts and a covering letter to the department.
  - In the remaining cases, for historical reasons, the bodies themselves write to the departments (in which case Audit Scotland sends the accounts and covering letter to the body so they can do so).
37. Auditors should contact AQA if bodies wish to have their accounts laid by a particular date to ensure that such dates can be met. Audit Scotland will send auditors a copy of the letter that is sent to the relevant minister/department for laying.

## Publication of accounts

38. Local government bodies are required to publish their accounts on their website no later than **31 October 2019**.
39. Bodies in other sectors must wait until their accounts have been laid in Parliament before publishing them on their websites.
40. Auditors may use typed signatures in place of actual signatures for the set of accounts that are published on websites.

## Contact points

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

Area	Contact	Contact details
Expressing opinions on the accounts Content of independent auditor's reports	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



# 3 Audit dimensions and Best Value

## Introduction

42. Paragraph 53 of the [Code of Audit Practice](#) requires the full wider scope of audit to apply to all bodies unless the auditor judges that it is not appropriate due to the size, nature and risks of the body.
43. The Code sets out four dimensions that frame wider scope audit work into identifiable audit areas. Alongside Best Value (BV), the audit dimensions set a common framework for all the audit work conducted for the Auditor General and for the Accounts Commission.

## Audit dimensions

44. All appointed auditors must consider the four audit dimensions set out in the following diagram when scoping, planning, performing and reporting their work:



45. Further guidance on the application of the audit dimensions is provided in the [Audit Dimensions](#) supplementary guidance.

## Auditing Best Value

46. Appointed auditors have a duty to be satisfied that local government bodies have made proper arrangements to secure BV. BV duties also apply to accountable officers across the public sector. Audit Scotland's expectation for auditing BV are summarised in the following

paragraphs and set out in more detail for the local government sector in supplementary guidance - Local Government Audit Manual - Auditing Best Value (BV audit manual).

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

### Auditing BV in councils

48. In June 2016, the Accounts Commission formally agreed the overall framework for a new approach to auditing BV in councils. This framework introduced a five year approach to auditing BV, and 2018/19 is year three of the BV audit plan in each council.
49. Under the agreed framework for auditing BV in councils, the Controller of Audit provides a Best Value Assurance Report (BVAR) to the Accounts Commission for each council at least once in a five year period. As part of the 2018/19 audits, BVARs are to be reported for the following councils:

2018/19 BVAR councils		
South Lanarkshire	Stirling	North Lanarkshire
Midlothian	Perth and Kinross	Scottish Borders
Highland		

50. The BVARs will be reported to a timetable discussed with auditors.
51. A key feature of the framework is the integration of the BV work with the local audit. Local auditors and PABV auditors work together on scoping, planning, evidence recording, making audit judgements and reporting on all BV audit work. To facilitate this, appointed auditors should make early contact and liaise with their PABV link manager to organise the contribution of PABV staff to each council audit.
52. The BV audit manual (published on the [Local Government Extranet](#)) is supplementary guidance as specified by the Code of Audit Practice. The guidance covers planning, reporting and auditing the duty of BV. It contains guidance for auditors carrying out work as part of the annual audits and for BVARs. The manual requires clear judgements on the pace and depth of continuous improvement in the areas covered by audit work to be reported. At the councils where a BVAR is planned, work will be scoped to reflect local priorities and risks. The scoping will determine coverage of BV characteristics and the Accounts Commission's Strategic Audit Priorities (explained at section 5A).
53. Auditors prepared a five year BV audit plan (BVAP) in year one of the new framework showing their scheduling of coverage of the BV characteristics, linked to BV audit programmes included in BV audit manual. The BVAP should include:
- audit work to be carried out as part of the local audit
  - the timing of the BVAR

- follow up of BV findings reported in prior years.
54. In 2018/19, which is year three of the five year plan, auditors should update the BVAP to cover the remaining years of the audit appointment. It should reflect the actual work completed in earlier years and the latest intelligence on the council. Scheduling of work should reflect on the local risk assessment from the Shared Risk Assessment (explained at section 5B) and annual planning processes. There is no central guidance on what aspects of BV audit work should be covered as part of the 2018/19 audits. The BVAP which reflects local audit risk priorities should determine the coverage.
  55. Auditors are not required to publish the BVAPs, as the future BVAR programme could change as risk assessments change across the councils. 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 BVAR programme.
  56. Auditors should share their BVAP with Audit Scotland to help planning for BV support as set out in the following table:

Auditor	Submission
ASG	Save in the appropriate audited body's <b>Financial Audit - Outputs</b> library on ishare 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>

57. Auditors should report findings and judgements on BV audit work in the 2018/19 annual audit report, including following up previous BV audit findings reported in earlier years (in the annual audit report and BVAR). The follow up should reflect on the council's response to the findings and progress against each improvement action.
58. Where a BVAR has been published in year one or two, 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.
59. 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.
60. The BVAPs and annual audit reports will be used to inform the Controller of Audit's Annual Assurance and Risks Report (AARR) to the Accounts Commission at the start of 2020.

### Auditing BV in other sectors

61. 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.

62. Auditors may also carry out specific audit work covering the nine 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 increasing expectation that equalities will be advanced through the audit process. Auditors should aim to consider this area at least once during the audit appointment.
63. [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. The guidance is currently being refreshed by a Scottish Government working group. The audit approach and guidance described in this section is designed to be consistent with both the current and the revised guidance.
64. Auditors may use assessment material from the auditor guidance for BV on the [Local Government Extranet](#) 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.

## Bodies where full wider scope not appropriate

65. Further guidance on judging the application of the audit dimensions is provided in the [Smaller Audited Bodies](#) supplementary guidance. Where auditors judge that the full wider audit scope is not appropriate, this must be documented in the annual audit plan. The judgement on the applicability of the full wider scope is an annual one. Experience from the prior year's audit should be used to inform the judgement. Any areas of uncertainty should be discussed with AQA.
66. Circumstances where the full wider scope 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
  - small central government bodies.

## Application to health and social care

67. Integration joint boards (IJBs) fall within [section 106](#) of the Local Government (Scotland) Act 1973. The reduced wider scope work under paragraph 53 of the Code is not likely to be appropriate for IJBs.
68. The governance arrangements for health and social care integration are an area of particular interest to the Auditor General and Accounts Commission. As part of the work on governance and transparency, local government and health auditors should apply and report on the prompt from the Code supplementary guidance "Can the body demonstrate that the

governance arrangements are appropriate and operating effectively (including services delivered by, or in partnership with, others such as ALEOs, subsidiaries and associates)" in the context of health and social care integration.

69. Auditors should include comment in annual audit reports on how the IJB demonstrates that it is meeting its BV duties. Auditors are to report on the IJBs' own arrangements for doing this. It does not require detailed audit work against the BV characteristics.

## Significant wider scope risks

70. Auditors should consider the audited body's self-evaluation arrangements as the starting point for understanding the business in the context of wider scope work. The Accounts Commission has made clear its expectation that councils have robust self-evaluation in place, and that a lack of self-evaluation arrangements is likely to be considered a risk that auditors would consider reporting.
71. There are a number of areas that Audit Scotland considers may represent significant risks to audited bodies in 2018/19. Auditors should particularly focus on the areas set out in the following table:

Risk area	Contact	Contact details
EU withdrawal	<b>Mark Roberts</b>	<a href="mailto:mroberts@audit-scotland.gov.uk">mroberts@audit-scotland.gov.uk</a> or 0131 625 1613
Changing landscape for public financial management	<b>Richard Robinson</b>	<a href="mailto:rrobinson@audit-scotland.gov.uk">rrobinson@audit-scotland.gov.uk</a> or 0131 625 1739
Dependency on key suppliers	<b>Brian Howarth</b>	<a href="mailto:bhowarth@audit-scotland.gov.uk">bhowarth@audit-scotland.gov.uk</a> or 0131 625 1930
Care income, financial assessments and financial guardianship	<b>Brian Howarth</b>	
Openness and transparency	<b>Gordon Smail</b>	<a href="mailto:gsmail@audit-scotland.gov.uk">gsmail@audit-scotland.gov.uk</a> or 0131 625 1874

72. Auditors should consider risks in each of these areas when scoping, planning, performing and reporting their work, as part of their consideration of the audit dimensions. Where auditors identify specific risks, they should reflect these in their annual audit plans, reports and (where appropriate) recommendations in the normal manner. Auditors should also include commentary on significant risks or interesting practice within current issues returns (explained in section 5E).
73. The following paragraphs provide some information in respect of each area that auditors may find helpful.

## EU withdrawal

74. There are uncertainties surrounding the terms of the UK's withdrawal from the European Union (EU) in March 2019. Some arrangements have been provisionally agreed, such as a transition period to the end of 2020, although they are dependent on a final deal being reached between the UK Government and the remaining EU countries. The outcome of negotiations should become clearer in the months up to March 2019. The key dates in the process are set out below. It is difficult to know exactly how this will proceed or when decisions will be made, so Audit Scotland will provide updates to auditors at key points in the process.

### Key dates in EU withdrawal negotiations



75. Whatever the outcome, EU withdrawal will inevitably have implications for devolved government in Scotland and for audited bodies. Audit Scotland has identified three areas where EU withdrawal may have the most significant impact, and they are summarised in the following table:

Area	Explanation	Impact
Workforce	Extent to which potential changes to migration are likely to affect the availability of the people and skills needed to deliver services	Many public services are dependent on workers from EU countries, including health, social care and education. A decline in migration from the EU could potentially result in vacancies and skills gaps in some areas of the public sector. There is a risk that this could impact on some public bodies' ability to deliver 'business as usual', particularly given existing workforce and service pressures.

Area	Explanation	Impact
Funding	Extent to which potential changes to existing EU funding programmes are likely to affect the finances of public bodies and the activity that such funding supports	Funding from the EU makes an important contribution to the Scottish public sector. The main sources of funding provide support for farmers and rural businesses (Common Agricultural Policy and European Maritime and Fisheries Fund), projects to encourage economic growth (European Structural Funds), and support for research and education (Horizon 2020 and Erasmus). The UK Government has made guarantees to meet some funding commitments to the end of existing programmes, but there are uncertainties about what any replacement funding may look like.
Regulation	Extent to which potential changes to EU regulations are likely to affect the activities of some public bodies	The EU Withdrawal Bill will transpose existing EU law into UK law immediately after the UK leaves the EU. Legislation in many devolved areas will transfer to the Scottish Parliament. The UK government has identified <a href="#">24 devolved policy areas</a> where it seeks to retain temporary control until UK-wide common legislative frameworks are developed. This is likely to have potential implications for some public bodies whose remit is directly linked to EU regulations, such as Scottish Environment Protection Agency, Scottish Natural Heritage and Food Standards Scotland.

76. In addition, some public bodies may be affected directly by changes to trade and customs rules, which could impact on supply chains and the procurement of goods or services from EU countries. This could influence the availability and cost of supplies and services (e.g. specialist medical equipment or drugs), with potential implications for public bodies' finances and their ability to deliver specific services.
77. There are considerable uncertainties about the detailed implications of EU withdrawal. At a minimum, by the end of 2018/19, Audit Scotland expects public bodies to have assessed the potential impact of EU withdrawal on their operations and identified any specific risks and how they will respond to them. Auditors should assess how the audited body has prepared for EU withdrawal and how it continues to respond to any emerging risks after March 2019.
78. There will not be a one-size-fits-all approach to preparing for EU withdrawal, as public bodies will be affected in different ways and will experience different levels of impact at different times. Planning for EU withdrawal should be proportionate to the level of risk. When assessing the reasonableness of audited bodies' preparations, auditors should use their knowledge of the organisation to judge the amount and type of preparation required.

79. Audit Scotland plans to produce additional guidance in October to support auditors in making judgements on preparedness for EU withdrawal as part of the 2018/19 audit work.

### Changing landscape for public financial management

80. Scottish public finances are fundamentally changing, with significant tax-raising powers, new powers over borrowing and reserves, and responsibility for 11 social security benefits worth over £3 billion a year. This provides the Scottish Parliament with more policy choices but also means that the Scottish budget is subject to greater volatility, uncertainty and complexity. More information is available from Audit Scotland's [e-hub](#) on financial devolution in Scotland.
81. Parliamentary scrutiny of the public finances is increasingly important in this changing landscape. A new Scottish budget process has been introduced, which is based on a year-round continuous cycle of budget setting, scrutiny and evaluation. This involves parliamentary committees looking back to explore what public spending has achieved, looking forward to longer-term objectives and challenges, and considering what this should mean for future budgets.
82. As part of the new budget process, the Scottish Government published an initial five-year [Medium Term Financial Strategy](#) (MTFS) in May 2018. This sets out the Government's broad financial plans and projections for tax and spending to 2022/23, linked to expectations about the economy and the financial implications of existing policy commitments. It models possible funding scenarios for the Scottish budget based on Scottish Fiscal Commission forecasts. The strategy also outlines the financial implications of the Government's key policy priorities and commitments.
83. The Scottish Government's five-year outlook for the Scottish budget set out in the MTFS provides useful context for audited bodies' financial planning. Auditors should consider the extent to which audited bodies have reviewed the potential implications of the MTFS for their own finances and are taking account of these in their arrangements for financial management and financial sustainability. This will include longer-term financial planning.
84. The new budget process places greater emphasis on assessing outcomes and the impact of spending. There is an expectation that the Scottish Government and public bodies will report on their contribution towards the national outcomes in their published plans and performance reports, including their annual reports. This includes setting out what they are aiming to achieve through public spending, what is being achieved in practice, and whether the plans that have been set out are being delivered. Increased complexity and volatility is also likely to mean that the Scottish Government will be increasingly active in managing its overall budget position in-year, engaging with public bodies closely on their anticipated funding requirements.
85. Auditors should consider the extent to which the performance report/management commentary provides an accessible account of the audited body's overall performance and impact of its public spending. They should also confirm that underlying financial performance, including any in-year changes to funding agreed with the Scottish Government, is transparently presented.



86. The revised budget process is likely to mean that Parliamentary committees make increasing use of audit reports when scrutinising the impact of public spending. In preparing their annual audit reports, auditors should have regard to any likely areas of interest from relevant Parliamentary committees, and that they may potentially be invited to give evidence on this.

### Dependency on key suppliers

87. It has become clear that the collapse of Carillion has had a significant impact across the public sector. This has brought into focus the risk of key supplier failure and the risk of underperformance in suppliers that are experiencing difficult trading conditions. The risk exists on two levels:
- Individual public sector bodies are dependent on key suppliers; and
  - The Scottish public sector as a whole is subject to significant systemic risk.
88. Auditors should determine, as part of their local planning process, the extent to which individual audited bodies are dependent on key supplier relationships. Where dependency is significant, auditors should include this risk with appropriate audit activity in their annual audit plans.
89. Auditors will also be requested to complete a short questionnaire to establish the extent, value and nature of key supplier dependencies that can inform the national position. Audit Scotland may ask about certain suppliers once local intelligence about exposure is available and after a central review of the Scottish Procurement Information Hub<sup>1</sup> (hosted by Spikes Cavell). The Hub includes details of all payments to suppliers and contractors of £1,000 or more in a given year (<http://observatory.spikescavell.com>).
90. In terms of audit activity within bodies exposed to significant risk, auditors may wish to review the following:
- The extent of financial (financial due diligence), performance and failure key risk assessment in business cases for new/ renewed contracts and business continuity arrangements.
  - Whether significant suppliers have identified risks and mitigating business continuity arrangements in the audited body's risk register.
  - Whether significant suppliers are subject to ongoing financial, performance and failure risk assessment.
  - How audited bodies have responded to any issues with key suppliers that have arisen.
  - Reporting of the above to boards and committees.
91. Auditors may find it helpful to bear the following points in mind:

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<sup>1</sup> the Scottish Procurement Information Hub (hosted by Spikes Cavell) is an analytical tool and is a key part of the reform of public sector procurement in Scotland. Most Scottish public sector bodies now provide information on their total procurement spend, that is goods and services bought from third parties, to the Hub

- The same supplier may operate or be recorded in audited body ledgers under numerous different names and the aggregate exposure should be considered. Local assessment should also be informed by discussion with key officers in the audited bodies.
- Joint venture/ partnerships, PFI/PPP/NDPO/Hub operations, IT contracts and sub-contractor relationships on major contracts may need to be considered. The value of exposure may need to be estimated.
- Auditors should also consider the dependency of key suppliers not just in monetary value but in terms of supporting key operational activities. For example, revenue IT systems may depend on a single software supplier. An audited body may pay a relatively immaterial sum each year to maintain the system but the audited body is dependent on the continued support of the supplier to provide a key service/ function.
- The nature of key supplier dependency may be unexpected in some audited bodies and auditors should approach this work with few presumptions about what might constitute a key supplier. Across Scotland, the Scottish Information Procurement Hub shows the highest levels of expenditure are incurred to the following suppliers:

Suppliers with highest spend			
EDF energy	Consort healthcare	Lloyds Pharmacy	Healthcare At Home Limited
Bear Scotland	Mears Scotland LLP	Amey	ATOS IT
CGI IT	Aah Pharmaceuticals Ltd		

92. Initial evidence suggests that relatively small bodies could be significantly exposed to single supplier risk and a local auditor planning assessment should be undertaken. The exception may be IJBs given the nature of their expenditure, and relatively uncomplicated joint committees.

### Care income, financial assessments and financial guardianship

93. The experience of a few local government audits indicates there may be wider issues with the systems and processes for collecting care income, undertaking financial assessments on individuals receiving care and financial guardianship.
94. In some cases, responsibility for financial assessments on those receiving care has transferred from social care to finance, and this has revealed issues with backlogs of financial assessment and under-recovery of care charges over long periods (more than five years). Each individual case may have different circumstances contributing to a delay, for example individuals stalling the process of providing information, issues with the capacity of individuals and difficulties with banks providing access to information, where capacity issues are identified. These delays are not within councils' control, but there are examples where inadequate focus on this area has led to delays that are attributable to the council. After taking legal advice, Audit Scotland does not believe these statutory debts are subject to prescription

periods, so are generally collectable even where delays are considerable. In some cases, the council will take a charge over property, where income is insufficient to meet care costs.

95. Auditors of councils should undertake a review of the arrangements for financial assessment of those requiring care and assess whether these are subject to a significant backlog and the reporting of this.
96. Audit Scotland has also identified that officers within the council may be operating as financial guardians for individuals with a lack of capacity to act in their own interests. This financial guardianship role is distinct from a welfare guardian (usually the chief social work officer) and is subject to approval by a Sheriff. Financial guardianship by a council officer is the solution of last resort when no other member of a family, friend, neighbour or local solicitor is willing to act in this role. This may give rise to a potential conflict of interest when finance officers are in a senior position and the council is issuing invoices to a person for their care and the officer is also acting as financial guardian for the individual.
97. Auditors will be requested to complete a questionnaire to provide intelligence on the extent to which officers undertake financial guardianship roles and the reasons for this.

### Openness and transparency

98. There is an increasing focus on how public money is used and what is achieved. In that regard, openness and transparency supports understanding and scrutiny. Professional Support has produced a [guidance note](#) to provide auditors with background on openness and transparency, and matters for them to consider during their reviews of governance in 2018/19 audits.
99. The guidance supports auditors in their continuing dialogue with audited bodies in this important area. Audit Scotland would, for example, expect to see public bodies reviewing their approach to openness and transparency to ensure they are keeping pace with public expectations and good practice. Evidence of progress might include:
  - increased public availability of board papers
  - more insight into why some business is conducted in private
  - development of the form and content of annual reports.

# 4 Contributing to performance audits

## Introduction

- 100. The Auditor General and the Accounts Commission carry out audits of the use of resources by public sector bodies and publish reports or guidance.
- 101. Appointed auditors may be requested by PABV from time to time to contribute to such work. PABV will prepare data returns and guidance and discuss them with auditors before issuing final versions.

## Overview reports

- 102. As in previous years, the Accounts Commission will publish overview reports covering the local government sector, and the Auditor General will publish annual performance reports covering the health and college sector.
- 103. Information required for these reports is generally already in the audit domain as a result of the core audit work. The reports use information from the audited accounts and annual audit reports but also require some additional information from auditors collected as minimum datasets. The need for, and level of detail in, the datasets can be minimised if the required areas are covered in annual audit reports.
- 104. The specification of minimum datasets will be developed by PABV in consultation with appointed auditors and they will be provided in good time to allow their completion. The datasets should be factually agreed with the audited body. Auditors should submit the datasets to Audit Scotland as follows:

Auditor	Submission
ASG	Save in the appropriate audited body's <b>Financial Audit - Outputs</b> library on ishare 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>

- 105. The submission deadlines for the datasets are set out in the following table:

Sector	Report	Submission deadline
Health	<i>NHS in Scotland 2019</i>	1 July 2019
Local government	<i>Local government in Scotland: Financial overview</i>	1 October 2019
College	<i>Scotland's colleges 2019</i>	31 December 2018

### Performance audit reports (2018/19 and 2019/20)

- 106.** The five-year rolling work programme for performance audits is based on a strategic approach to planning and managing performance audit work. It takes a long-term view that reflects the strategic priorities of the Auditor General and the Accounts Commission as well as the key risks and opportunities facing Scotland's public sector.
- 107.** The rolling work programme covers the entire range of audit work that Audit Scotland undertakes on behalf of the Auditor General and Commission. It is organised and resourced to make the effective use of the collective audit evidence available from other sources such as overview reporting, statutory reporting and the Commission's approach to auditing BV.
- 108.** The full programme is available on Audit Scotland's [website](#). The table below sets out performance audit reports that Audit Scotland intends to publish during 2018/19 and 2019/20 that require appointed auditor input. The table sets out:
- the title and planned publication date for each report
  - audit scope and objectives
  - any anticipated appointed auditor involvement in the audit (including timing and likely resource requirements).

Performance audit title and planned publication date	Scope and objectives of the audit	Appointed auditor input and main contact	Date required	Resources
Innovative Financing: City Deals – Autumn 2019	This audit will report on the development of City Deals to date, especially in relation to the establishment of governance and project management arrangements.	Evidence gathered through the routine local audit work in relation to City Deal arrangements as applicable to the audited body.	Ongoing	Minimal additional time requirement as part of routine audit work

Performance audit title and planned publication date	Scope and objectives of the audit	Appointed auditor input and main contact	Date required	Resources
		Contact: <b>Graeme Greenhill</b> <a href="mailto:ggreenhill@audit-scotland.gov.uk">ggreenhill@audit-scotland.gov.uk</a> 0131 625 1822		
Digital progress in central government – Spring / Summer 2019	This is the first in a series of audits looking at high level performance against digital strategies, outcomes, leadership, and assurance and governance arrangements.  This audit will look at the progress that the Scottish Government is making in delivering on its digital ambitions. This will include progress against the digital strategy, and the impact of new assurance arrangements.	Auditors are asked to inform the performance audit team of any significant ICT and digital developments within their audited body.  Contact: <b>Morag Campsie</b> <a href="mailto:mcampsie@audit-scotland.gov.uk">mcampsie@audit-scotland.gov.uk</a> 0131 625 1748	Ongoing	Minimal additional time requirement as part of routine audit work
Digital progress in local government – Spring 2020	This audit will enable the Commission to focus on whether councils are making best use of digital technologies and methods to transform services and improve outcomes for citizens. This would include looking at the effectiveness of leadership and collaboration across councils.	Auditors are asked to inform the performance audit team of any significant ICT and digital developments within their audited body.  Contact: <b>Gemma Diamond</b> <a href="mailto:gdiamond@audit-scotland.gov.uk">gdiamond@audit-scotland.gov.uk</a> 0131 625 1820	Ongoing	Minimal additional time requirement as part of routine audit work

Performance audit title and planned publication date	Scope and objectives of the audit	Appointed auditor input and main contact	Date required	Resources
Educational outcomes – Winter 2019	The audit will look at trends in educational outcomes and spending across Scotland, and assess the impact of actions by the Scottish Government and councils to improve outcomes. It will also follow up on progress against the recommendations in our 2014 report.	Scoping work for the audit will take place in early 2019 and will inform any specific input required from auditors. This is likely to be providing an update on governance arrangements and operation of the Regional Improvement Collaboratives. Contact: <b>Tricia Meldrum</b> <a href="mailto:tmeldrum@audit-scotland.gov.uk">tmeldrum@audit-scotland.gov.uk</a> 0131 625 1845	Spring / summer 2019	To be confirmed with local authority auditors
Skills: planning and investment – Winter 2019	This audit will look at how the Scottish Government determines, in conjunction with relevant stakeholders, the role the public sector should play in anticipating and developing the skills needed for the economy and, more widely, society. It will consider how effective interventions have been and, potentially, the value for money of specific interventions.	Scoping work for the audit will take place during late 2018 / early 2019, and will inform any specific input required from auditors. The audit team will engage with the relevant auditors for the Scottish Funding Council, Scottish Qualifications Authority and Skills Development Scotland to discuss the scope of the audit and requirements (if	To be confirmed	To be confirmed (SFC, SQA, SDS and college auditors)

Performance audit title and planned publication date	Scope and objectives of the audit	Appointed auditor input and main contact	Date required	Resources
		any) of auditors in due course. Contact: <b>Mark MacPherson</b> <a href="mailto:mmacpherson@audit-scotland.gov.uk">mmacpherson@audit-scotland.gov.uk</a> 0131 625 1828		
Value for money of non-profit distributing models of capital finance – Summer 2019	This audit will use a case study approach to assess whether NPD has achieved its aim of curtailing excessive private sector profits. It will also assess the impact of developments such as the Office for National Statistics decision to classify NPD projects such as the Aberdeen Peripheral Route as being subject to public sector control.	Scoping work for this audit is underway, and it is not anticipated that a formal data return will be required from auditors. The performance audit team will consider national data and liaise with local auditors around potential case studies as appropriate. Contact: <b>Martin McLauchlan</b> <a href="mailto:mmclauchlan@audit-scotland.gov.uk">mmclauchlan@audit-scotland.gov.uk</a> 0131 625 1687	Winter 2018 / Spring 2019	To be confirmed with auditors
Waste management	The overall aim of the audit will be to assess how well Scotland is performing in meeting its current and future waste management targets. It will consider the level of investment in new waste management facilities and the impact of the Scottish	Guidance will be provided to auditors, but would typically seek information in relation to local, regional and national waste management arrangements, including cost,	Spring / Summer 2019	2-3 days



Performance audit title and planned publication date	Scope and objectives of the audit	Appointed auditor input and main contact	Date required	Resources
	Landfill Tax on the levels of waste sent to landfill. The audit will follow up on previous reports on <a href="#">sustainable waste management</a> in 2007, and the 2010 <a href="#">protecting and improving Scotland's environment</a> report	investment, volume and Landfill Tax data. Contact: <b>Graeme Greenhill</b> <a href="mailto:ggreenhill@audit-scotland.gov.uk">ggreenhill@audit-scotland.gov.uk</a> 0131 625 1822		

109. The programme is flexible in nature, and subject to change in response to:

- significant changes in the public-sector policy environment
- new audit risks and issues identified through ongoing programme development and audit intelligence work
- the need to balance ongoing areas of audit interest (including follow-up work) with potential new pieces of audit work.

110. The Auditor General and Accounts Commission refresh the rolling programme each December, which can lead to planned audits being removed, new audits being introduced, or changes made to the scope and timing. The information provided in the above table may therefore be revised. Where this is likely to impact on the required auditor contribution, the leads for the performance audit work will contact auditors at the earliest opportunity to discuss any updated requirements.

111. For those audits where there are no specific information requests planned during 2018/19 auditors are reminded of the desirability of working in partnership with PABV as far as possible and maintaining audited bodies' awareness of performance audits that are relevant to the sector.

## Impact reports

112. Auditors of relevant bodies will be requested to provide information to support assessing the impact of the performance audits set out in the following table during 2018/19:

Audit	Description	Date	Resources
Early learning and childcare	A combined impact and update report, this will assess the impact of the <a href="#">performance audit</a> published in February 2018, and progress in implementing the Scottish Government's expansion plan to provide 1,140 hours of funded early learning and childcare by 2020.	Summer 2019	2-3 days
Equal pay in Scottish councils	To assess the impact of the <a href="#">performance audit</a> published in September 2017.	Spring 2019	2-3 days
Self-directed support: 2017 progress report	To assess the impact of the <a href="#">performance audit</a> published in August 2017.	Spring 2019	2-3 days
Supporting Scotland's economic growth	To assess impact of the <a href="#">performance audit</a> published in July 2016, and consider the findings of the Scottish Government's reviews of the role of the Scottish Enterprise and Highlands and Islands Enterprise and how they integrate with the wider economic development/employability agenda.	Winter 2018	2-3 days
Transport Scotland's ferry services	To assess the impact of the <a href="#">performance audit</a> published in October 2017.	Summer 2019	2-3 days

### Targeted follow-up

113. There are no requirements for auditors to undertake specific follow up audit work in 2018/19.

### Contact points

114. The contacts for each sector are set out in the following table:

Sector	Contact	Contact details
Local government	<b>Carol Calder</b>	<a href="mailto:ccalder@audit-scotland.gov.uk">ccalder@audit-scotland.gov.uk</a> or 0131 625 1804
Central government	<b>Michael Oliphant</b>	<a href="mailto:moliphant@audit-scotland.gov.uk">moliphant@audit-scotland.gov.uk</a> or 0131 625 1731

Sector	Contact	Contact details
Social security	<b>Gemma Diamond</b>	<a href="mailto:gdiamond@audit-scotland.gov.uk">gdiamond@audit-scotland.gov.uk</a> or 0131 6251820
Health	<b>Leigh Johnston</b>	<a href="mailto:ljohnston@audit-scotland.gov.uk">ljohnston@audit-scotland.gov.uk</a> or 0131 625 1977
College	<b>Mark MacPherson</b>	<a href="mailto:mmacpherson@audit-scotland.gov.uk">mmacpherson@audit-scotland.gov.uk</a> or 0131 625 1828

# 5 Other responsibilities

## 5A Strategic Audit Priorities for local government audits

115. Within its [strategy 2018 - 23](#), the Accounts Commission sets out its overall aim as holding councils to account for their pace, depth and continuity of improvement facilitated by effective governance. The Commission also sets out the following five Strategic Audit Priorities that it expects auditors to consider in all work across local government:

### Strategic Audit Priorities

Having clear priorities with a focus on outcomes, supported by effective long term planning.

Demonstrating the effective appraisal of options for changing how services are delivered in line with their priorities.

Ensuring that members and officers have the right knowledge, skills and support to design, develop and deliver effective services in the future.

Empowering local communities and involving them in the design and delivery of local services and planning for their local area.

Reporting the council's performance in a way that enhances accountability to citizens and communities, helping them contribute better to the delivery of improved outcomes.

116. These are issues that the Commission considers are particularly important to report through annual and BV audit work. The Strategic Audit Priorities should therefore be considered by all auditors involved in local government work (both locally and nationally). They may cover issues that would arise in individual audits anyway, and the extent to which they will feature will vary depending on local circumstances. However, it is expected that these arrangements will result in information and conclusions being evident in audit reports across all the work carried out on the Commission's behalf.
117. The Strategic Audit Priorities should therefore be integrated into local audit work across all 32 councils (including auditors' responsibilities for BV), national performance audits and other work, as appropriate, such as current issues reports for the four meetings of the Commission's Financial Audit and Assurance Committee over the year, as appropriate.
118. In relation to BV, work to be undertaken through local audit work in response to the Strategic Audit Priorities is set out in the BV audit manual. The integration of the Strategic Audit Priorities with the audit dimensions will be the subject of further discussion with auditors. However, annual audit reports should provide an effective assessment of the Strategic Audit Priorities over the five year appointment.
119. The main contact is Paul Reilly, [preilly@audit-scotland.gov.uk](mailto:preilly@audit-scotland.gov.uk) or 0131 625 1809.

## 5B Shared Risk Assessment and Joint Scrutiny Planning

120. The Accounts Commission, supported by Audit Scotland, chairs the Strategic Scrutiny Group (SSG). The SSG is made up of scrutiny bodies from across the public sector to make their work on local government more co-ordinated, better targeted and more proportionate to identified risks. The scrutiny bodies involved in this work are summarised in the following table:

SSG scrutiny bodies				
Audit Scotland	Care Inspectorate	Education Scotland	HM Inspectorate of Prisons	Scottish Housing Regulator
Healthcare Improvement Scotland	HM Fire Services Inspectorate	HM Inspectorate of Constabulary for Scotland	Inspectorate of Prosecution in Scotland	

121. The arrangements for coordinating scrutiny at a local level include a Local Area Network (LAN) for each council. LANs are led by each council's appointed auditor. LANs bring together relevant scrutiny bodies, typically Audit Scotland, Care Inspectorate, Education Scotland and the Scottish Housing Regulator, to share information and intelligence on an ongoing basis and to carry out a Shared Risk Assessment (SRA). The purpose of the SRA is to inform discussions between the LAN and its council and to inform the National Scrutiny Plan (NSP) for local government, which is published on Audit Scotland's website. All LAN members are expected to participate in LAN activities.
122. During 2018, the SSG reviewed the effectiveness of scrutiny coordination and the SRA process. As a result, a number of changes are being made, the most notable being no requirement for LANs to produce local scrutiny plans (LSPs). LANs can produce local outputs if they determine, in consultation with their council, that this would be useful. The new approach looks to embed a discussion about risks and responses between scrutiny bodies across the year, rather than a specific one-off approach. Information on the changes along with guidance on the revised SRA process will be circulated to LAN leads in early November.
123. Any queries on scrutiny coordination and the SRA process should be directed to **Claire Sweeney**, [csweeney@audit-scotland.gov.uk](mailto:csweeney@audit-scotland.gov.uk) 0131 625 1848 or **Mark McCabe**, [mmccabe@audit-scotland.gov.uk](mailto:mmccabe@audit-scotland.gov.uk) 0131 625 1806.

## 5C Sharing intelligence for health and social care

124. The Sharing Intelligence for Health and Care Group is a mechanism that enables seven national agencies to share and consider intelligence about the quality of health and social care systems across Scotland. The group was established in response to significant events in

England relating to patient safety which highlighted key national organisations not adequately sharing intelligence on risks to inform their work. Similar arrangements are in place in other parts of the UK.

125. The agencies involved in the group are set out in the following table:

Health and social care national agencies			
Audit Scotland	Care Inspectorate	Healthcare Improvement Scotland	Mental Welfare Commission for Scotland
NHS Education for Scotland	NHS National Services Scotland	Scottish Public Services Ombudsman	

126. The overall aim of the group is to support improvement in the quality of health and social care provided for the people of Scotland, by making good use of existing data, knowledge and intelligence. The group's main objective is to ensure that, when any of the seven agencies have a potentially serious concern about a health and social care system, this is shared and acted upon appropriately. The group is an important source of wider intelligence about the performance and risks relating to health boards in Scotland.
127. Each health board is covered by the group once a year. Appointed auditors are required to complete an intelligence template and attend the group meeting when their board is considered to discuss the key points from their intelligence template submission. Attendance at the meeting is important as it provides the opportunity to hear intelligence from the other agencies.
128. Audit Scotland will contact the relevant auditor about six weeks before the group meeting to ask for completion of the intelligence template and confirmation of who will attend the meeting. There is generally three weeks to complete and return the template.
129. The main contact is **Leigh Johnston** [johnston@audit-scotland.gov.uk](mailto:johnston@audit-scotland.gov.uk) 0131 625 1977.

## 5D Councils' Statutory Performance Information

130. The Accounts Commission has a statutory responsibility to define the performance information that councils must publish to allow citizens to gauge their performance comparatively. 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 Commission's strategy has been to join up these different elements and emphasising its support of a local government-led approach to fulfilling this responsibility, rather than prescribing performance information to be reported by councils, as it did in the past. It has done this primarily by supporting the development by councils of the Local Government Benchmarking Framework (LGBF) and encouraging councils to develop their approaches to public performance reporting. The Commission keeps a close interest in the development of

the LGBF and sits on the project's board in an observing capacity. The [2015 Statutory Performance Information Direction](#) published by the Commission requires councils to report a range of information in accordance with, but not confined to, the requirements of the LGBF. The Commission has committed to reviewing its 2015 Direction after three years, thus will be updating its Direction at the end of 2018.

131. Appointed auditors should assess the suitability of the arrangements for preparing and publishing the information. One of the Accounts Commission's Strategic Audit Priorities is 'reporting the council's performance in a way that enhances accountability to citizens and communities, helping them contribute better to the delivery of improved outcomes'. Accordingly, auditors should be considering this issue as an integrated part of their risk assessment. It is also to be addressed in more depth in those councils subject to a BVAR.
132. The main contact is Paul Reilly, [preilly@audit-scotland.gov.uk](mailto:preilly@audit-scotland.gov.uk) or 0131 625 1809.

## 5E Audit intelligence and statutory reports

133. The Auditor General or Controller of Audit determine whether a statutory report is required under [section 22 of the Public Finance and Accountability \(Scotland\) Act \(2000\)](#) for the Scottish Parliaments' Public Audit and Post Legislative Scrutiny (PAPLS) Committee or [section 102 of the Local Government \(Scotland\) Act 1973](#) for the Accounts Commission.
134. Appointed 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. These may include issues of public interest or concern around governance, financial management or sustainability, the management of major projects or programmes, or service performance. They may arise directly from the annual audit process or may be identified during ongoing engagement with the audited body.
135. All issues with the reasonable potential to result in a statutory report should be raised timeously throughout the year and discussed with the Audit Scotland contacts listed in the following table so that the Auditor General or Controller of Audit are aware of the issue as early as possible and, ultimately, are in a position to make the final decision:

Sector	Name	Contact details
Local government	Anne MacDonald	<a href="mailto:amacdonald@audit-scotland.gov.uk">amacdonald@audit-scotland.gov.uk</a> or 0131 625 1903
Central government	Michael Oliphant	<a href="mailto:moliphant@audit-scotland.gov.uk">moliphant@audit-scotland.gov.uk</a> , 0131 625 1731
Health	Leigh Johnston	<a href="mailto:ljohnston@audit-scotland.gov.uk">ljohnston@audit-scotland.gov.uk</a> , 0131 625 1977
College	Mark MacPherson	<a href="mailto:mmacpherson@audit-scotland.gov.uk">mmacpherson@audit-scotland.gov.uk</a> , 0131 625 1828

136. Timely reporting of issues also allows Audit Scotland to have a good level of awareness across the public sector and to inform the Auditor General and the Controller of Audit of relevant issues. Auditors are therefore required to provide Audit Scotland with returns summarising current issues. Auditors should categorise the issues as follows:

- Auditor General/Accounts Commission interest
- Parliamentary/Elected Members interest
- Ministerial interest
- Financial sustainability
- Financial management
- Governance and transparency
- Value for money.

137. The frequency and number of current issues returns varies by sector. Auditors must submit completed current issues returns for each sector by the following dates:

Date/Sector	Local government	Central government	Health	College
21 January 2019	✓	✓	✓	-
22 March 2019	✓	-	-	✓
19 July 2019	-	✓	-	-
9 August 2019	✓	-	-	-
18 October 2019	✓	-	-	-
8 November 2019	-	-	-	✓

138. Current issues returns should be submitted as follows:

Auditor	Submission
ASG	Save in the appropriate audited body's <b>'Financial Audit - Outputs'</b> library on ishare 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>

139. Auditors should supplement the current issues returns with intelligence to Audit Scotland during the year on emerging issues and risks in audited bodies, particularly where there are issues in the audited body which may result in a statutory report. Where the Auditor General or Controller of Audit decides that a statutory report is appropriate, the contact for the relevant sector will agree the extent of local 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 the Accounts Commission or PAPLs. Firms should base fees on no more than the maximum grade related rates set out at Appendix 2 for work beyond the core scope, except in exceptional circumstances where the use of experts is required.

## 5F Grant claims and returns

140. Local government auditors are required to review and report on approved grant claims prepared by local authorities. Technical guidance note TGN/GEN/19 planned for publication in **March 2019** will specify the approved 2018/19 grant claims that require to be certified. Auditors should consult Professional Support if an authority requests the certification of a claim not included on this list. New claims are added only after agreement with the relevant paying department/agency.
141. Technical guidance notes on each of the approved grants will provide guidance on the certification of each claim. These will confirm the certification and submission deadline for each claim. HBCOUNT will continue to be in place in for 2018/19 (and beyond) for certifying benefit subsidy claims.
142. Expected fee ranges for colleges do not provide for auditors reviewing accounts for Scottish Funding Council year end purposes, certifying any grant claims, statistical returns or other similar arrangements. However, auditors may be approached by colleges 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 college's appointed external auditor, colleges may prefer to arrange to have the work carried out by a local firm of accountants.
  - Where certification/work by the appointed external auditor is required, auditors may enter into a local arrangement with their colleges. The fee arrangements for such non-audit services (as explained in Appendix 2) are a matter for the college and the auditor. No prior approval is required from Audit Scotland to undertake the work and it should not be included in annual audit plans. Fees for grant claims should be billed directly to colleges by firms, but the fee income earned should be reported in the final fee claim progress report.
143. The main contact is **Tim Bridle**, [tbridle@audit-scotland.gov.uk](mailto:tbridle@audit-scotland.gov.uk), 0131 625 1793.

## 5G Whole of government accounts

144. The [Code of Audit Practice](#) requires appointed external auditors to review and report on WGA returns prepared by audited bodies. External auditors of local authorities, NDPBs and the Scottish Government are required to provide an assurance statement on 2018/19 WGA returns for bodies (based on group results where group accounts are prepared) over a prescribed threshold in accordance with instructions from the NAO.

145. Professional Support will publish TGNs in **July 2019** which will set out the prescribed threshold, specified testing procedures, and required submission deadlines which auditors are required to follow. Although the NAO has indicated a desire to bring forward the deadline for submitting the WGA assurance statements, auditors should work towards a deadline of **28 September 2019** unless advised by Professional Support to the contrary.
146. The main contact is **Paul O'Brien**, [pobrien@audit-scotland.gov.uk](mailto:pobrien@audit-scotland.gov.uk), 0131 625 1795.

## 5H Housing benefit performance audits

147. The Accounts Commission has responsibility for the audit of housing benefit (HB) services in Scotland, and auditors within Audit Scotland carry out a programme of performance audit work. HB performance audits are aligned with the annual audit process with risk assessments of the HB function being completed along with annual audit planning. The outcome of the risk assessments will inform the programme of performance audits to be carried out during the 2019/20 financial year. The HB performance audit team will discuss emerging issues and the report with the local audit teams.
148. The main contact is **Gemma Diamond** [gdiamond@audit-scotland.gov.uk](mailto:gdiamond@audit-scotland.gov.uk) 0131 625 1820.

## 5I Correspondence

149. Appointed auditors may be required to carry out preliminary enquiries as part of core audit activity on issues of concern raised with Audit Scotland through correspondence. The Correspondence Team will agree with the relevant auditor if involvement is required. The scope, number of days, and resources required for the involvement must be agreed with the Correspondence Team in advance of work commencing. Any fee agreed for work in addition to that expected within the core audit should be no more than the maximum grade related rates set out at Appendix 2, except in exceptional circumstances where the use of experts is required. More information about how Audit Scotland handles correspondence can be found [here](#).
150. The main contact is **Angela Canning**, [acanning@audit-scotland.gov.uk](mailto:acanning@audit-scotland.gov.uk), 0131 625 1835.

## 5J Fraud returns

151. Auditors of local government bodies and non-departmental public bodies in the central government sector are required to submit fraud returns to Professional Support in accordance with guidelines provided on the Technical Reference Library 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.
152. Professional Support will then disseminate the 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 to Professional Support by the following deadlines:

Quarter 1	Quarter 2	Quarter 3	Quarter 4
30 November 2018	28 February 2019	31 May 2019	30 August 2019

153. Auditors should submit fraud returns as set out in the following table:

Auditor	Submission
ASG	Save in the appropriate audited body's <b>'Financial Audit - Outputs'</b> library on ishare 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>

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

## 5K Anti-money laundering

155. The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 came into force on 26 June 2017 and replace The Money Laundering Regulations 2007. The regulations impose an obligation on the Auditor General to inform the National Crime Agency if she knows or suspects that any person has engaged in money laundering or terrorist financing.

156. Auditors should ensure they have arrangements in place to be informed of any instances of money laundering at audited bodies so they can advise the Auditor General. Further guidance on submission arrangements will be provided in due course.

## 5L National Fraud Initiative (NFI)

157. The following bodies will be participating in the 2018/19 NFI:

- All councils, Strathclyde Partnership for Transport, and Tayside Contracts
- central government bodies specified at Appendix 6
- all health boards except for the Mental Welfare Commission
- all colleges.

158. Participating bodies are required to submit data in October 2018 and will receive matches for investigation in January 2019. Audit Scotland expects bodies to investigate all recommended matches plus further matches based on findings and the risk of error or fraud. Match investigation work should be largely completed by 30 September 2019 and the results recorded on the NFI system. Some investigations may continue beyond this date.

159. Auditors should monitor their audited bodies' participation and progress during 2018/19 and into 2019/20 and, where appropriate, include references to NFI in their annual audit reports for

both years. Auditors must complete an NFI audit questionnaire for each body participating in the NFI and submit it by **30 June 2019** as follows:

Auditor	Submission
ASG	Save in the appropriate audited body's <b>Financial Audit - Outputs</b> library on ishare 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>

160. The information provided by auditors will be used for Audit Scotland's NFI report to be published in summer 2020.
161. The main contact is **Anne Cairns**, [acairns@audit-scotland.gov.uk](mailto:acairns@audit-scotland.gov.uk), 0131 625 1926.

## 5M Contributing to TGNs

162. Professional Support will consult auditors to obtain their views on technical guidance notes before they are published. It is important that auditors offer their views on the guidance before it is published 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.
163. The main contact is **Paul O'Brien**, [pobrien@audit-scotland.gov.uk](mailto:pobrien@audit-scotland.gov.uk), 0131 625 1795.

## 5N Technical databases

164. Professional Support co-ordinates the compilation of a technical database of financial information from the unaudited annual accounts of the 32 Scottish Councils. The databases are for auditors to use for analytical review purposes, enabling inter-authority comparisons of items of account, key ratios and year on year analytical review if the comparative data is populated.
165. Local government auditors must complete a data capture workbook to allow Professional Support to populate the database. The workbooks can be completed from information in the unaudited accounts occasionally supplemented by working papers where it is not in the notes to the accounts. The completion process itself may help identify areas of non-compliance for further investigation.
166. Auditors should submit the completed workbooks by **6 July 2019** as set out in the following table:

Auditor	Submission
ASG	Save in the appropriate audited body's <b>Financial Audit - Outputs</b> library on ishare and email a hyperlink to <a href="mailto:outputs@audit-scotland.gov.uk">outputs@audit-scotland.gov.uk</a>

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

167. The 2018/19 database will be available from the Technical Reference Library by **27 July 2019**.
168. The main contact is **Tim Bridle**, [tbridle@audit-scotland.gov.uk](mailto:tbridle@audit-scotland.gov.uk), 0131 625 1793.

## 50 Group audits

169. 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. In the first instance, group auditors should consider using the annual Audit Scotland Audit Quality report to assist in documenting their assessment of significant component auditors' professional competence where the auditor is one of the six firms appointed by the Auditor General and Accounts Commission.
170. Group auditors should liaise with parent bodies to ensure that they provide appropriate direction to their components on completing their audits in sufficient time to assist the group auditor in reaching the group audit opinion. Similarly, group auditors should correspond with component auditors in sufficient time. Component auditors should cooperate with group auditors to obtain appropriate assurances, and should expect to complete relevant questionnaires from the group auditor.
171. The Scottish Government includes all agencies within its consolidated accounts. In addition to their responsibilities as group auditor, the Scottish Government also provides assurance to component auditors on the high-level controls within the Government's main systems (SEAS, Payroll) through the management/interim report on the Scottish Government audit.
172. The main contact is **Owen Smith**, [osmith@audit-scotland.gov.uk](mailto:osmith@audit-scotland.gov.uk) or 0131 625 1914.

## 5P Shared systems and functions

173. 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, however, merit special mention.

### Integration joint boards

174. IJB annual accounts are based on financial information provided by the constituent councils and health boards. Auditors should refer to the IJB integration schemes to determine the relationship between the IJB and councils and health boards. IJB auditors should contact the auditor of the health board regarding the required assurances in respect of the controls in place at the health board and the amounts included in the IJB accounts. Auditors may find it

helpful to use the framework set out in [ISA \(UK\) 402](#). Auditors should discuss requirements with corresponding auditors in sufficient time.

175. Where auditors of health boards are not in a position to give sufficient assurance to the satisfaction of the IJB auditor, further testing will be required. It is considered most efficient if the testing is carried out by the auditor of the health board. In the event this is not possible, arrangements should be made for the auditor of the IJB to visit the health board to undertake the testing directly.
176. The main contact is **Neil Cameron**, [ncameron@audit-scotland.gov.uk](mailto:ncameron@audit-scotland.gov.uk) or 0131 625 1797.

## Pension funds

177. The Local Government Pension Scheme in Scotland (LGPS) comprises eleven separately administered pension funds. The scheme managers responsible for the local administration of each fund are referred to as administering authorities.
178. Under the LGPS regulations, responsibility for calculating the employer and employee contributions lies with the employing authority rather than the administering authority. Testing should therefore be straight-forward for the 11 employing authorities that are also administering authorities, as auditors will have access to the necessary information.
179. Auditors of the other 21 employing authorities should provide assurance to the pension fund auditor as to whether, based on their testing, there are
- matters arising that could impact on the employing authority's ability to properly account to the pension fund for contributions
  - audit findings expected to be material to the employer
  - issues to be reported to those charged with governance.
180. Where auditors of employing authorities are not in a position to give sufficient assurance for 2018/19 to the satisfaction of the pension fund auditor, further testing of contributions will be required. It is considered most efficient if the testing is carried out by the auditor of the employing authorities. In the event this is not possible, arrangements should be made for the auditor of the pension fund to visit the employing authority to undertake the testing directly.
181. Auditors of pension funds should contact the auditors of the other employing authorities, and any other scheme employers they consider necessary, to agree arrangements for satisfactory assurances to be provided.
182. Auditors of pension funds should also provide assurances over the procedures the pension fund has in place to ensure the completeness and accuracy of source data passed to the actuary.
183. Professional Support will be developing a protocol for requesting and providing the required assurances. Further information will be provided in due course. The main contact is **Tim Bridle**, [tbridle@audit-scotland.gov.uk](mailto:tbridle@audit-scotland.gov.uk), 0131 625 1793.

## Service auditor reports

184. Assurance reports are prepared by service auditors under ISA (UK) 402 covering the following national systems/arrangements:
- Practitioners Services Division and National IT contract
  - National Single Instance.
185. Auditors of user bodies should consider the service auditor assurance reports referred to below, in addition to their findings from previous years, when reviewing health board systems.
186. The main contact is **Neil Cameron**, [ncameron@audit-scotland.gov.uk](mailto:ncameron@audit-scotland.gov.uk) or 0131 625 1797.

### Practitioners Services Division and National IT contract

187. NHS National Services Scotland (NSS) procures service audits each year, covering primary care payments and the National IT contract. Practitioner and Counter-Fraud Services is a strategic business unit of NHS NSS, responsible for calculating and making payments to primary care practitioners on behalf of health boards. This covers payments for general medical services, general dental services, general ophthalmic services and general pharmaceutical services and accounts for more than 20% of total NHS expenditure in Scotland. The National IT contract covers the services provided by ATOS Origin Alliance e.g. controls over the server supporting eFinancials.
188. NHS NSS's management provides assurances in the form of service auditor reports, issued in May each year to the health boards concerned, setting out details of the services covered and the control objectives and controls intended to be in place over the processing of payments. This document reports on whether controls were designed to achieve the control objectives and whether the control procedures were in operation during the year. This document is made available to health boards and their auditors by NSS.
189. The external auditor responsible for NSS (currently Scott-Moncrieff) reviews the work of the primary care payments service auditor and reports on this review to other health external auditors in May each year.

### National Single Instance

190. NHS Ayrshire & Arran host a National Single Instance (NSI) eFinancials service on behalf of all Scottish health boards. The board issues a service auditor report (currently from BDO) on the controls operating over the financial ledgers in the year, including the Real Asset Management system.

### Other service auditor reports

191. Other service auditor reports may be provided by boards to cover arrangements they have in place with individual boards. For example, NHS NSS issues a service report to NHS Healthcare Improvement Scotland, NHS 24 etc. for payroll services they provide. Auditors will want to confirm that they obtain adequate assurance where such arrangements exist.

## 5Q Section 106 charities

192. The audit appointment of council auditors includes the audit of any trust funds falling within [section 106 of the Local Government \(Scotland\) Act 1973](#) that are registered as charities with the Office of the Scottish Charity Regulator (section 106 charities). Due to their size, there are a number of differences from normal requirements. For example:
- The expected fee does not include the cost of auditing charities. Auditors should agree the fees for charity 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.
193. Some councils continue to administer a significant number of section 106 charities. Professional Support will provide information on numbers in due course. 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
  - make full use of the connected charities provisions under Regulation 7 of [Charities Regulations](#).
194. Auditors may also be approached by local authorities with a request to carry out audits for trust funds where section 106 does not apply. Auditors appointed by the Accounts Commission are eligible under the charities regulations to audit a charity's statement of accounts. Where auditors accept such a request, they should treat this as non-audit services (explained in Appendix 2).
195. The main contact point is **Paul O'Brien**, [pobrien@audit-scotland.gov.uk](mailto:pobrien@audit-scotland.gov.uk), 0131 625 1795.



# 6 Annual audit report and publication of completed outputs

## Introduction

196. Auditors must submit the annual audit report and all outputs from the audit to Audit Scotland before the audit is deemed to be complete.

## Submission deadlines for annual audit report

197. The submission deadlines for the annual audit report to members and the Auditor General or Controller of Audit (which are the same as for the independent auditor's reports explained in section 2) are set out in the following table:

Sector	Submission of annual audit reports
Local government	30 September 2019
Central government (Scottish Water)	31 October 2019 (15 June 2019)
Health	30 June 2019*
College	31 December 2019

\* As 30 June is a Sunday, receipt by 1 July will be deemed as meeting the submission deadline.

198. Auditors should submit management/interim reports to AQA as soon as the final version has been considered by relevant committees in audited bodies, as set out in the following table:

Auditor	Submission
ASG	Save in the appropriate audited body's <b>Financial Audit - Outputs</b> library on ishare 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>

199. Auditors should contact AQA if they are unable to meet the deadlines and provide the reason for the delay and the expected date by which the report will be submitted. Auditors will not be held responsible for late reports if delays are caused by audited bodies, and all practicable steps are taken 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 outputs

200. In accordance with the [Code of Audit Practice](#), all audit outputs are published on Audit Scotland's website (unless there is good reason not to). In practice this means the following are published 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 audit plan has been agreed).

The independent auditor's reports and reports on grant claims and WGA etc will not be published.

201. Audit Scotland needs to be aware of any sensitive or contentious reports so that AQA and the Communications Team can prepare for any potential media interest. Auditors should notify [media@audit-scotland.gov.uk](mailto:media@audit-scotland.gov.uk) if any output is potentially sensitive or contentious. This could include:

- reports on bodies that are or have been the subject of significant audit, political or media attention in the past
- reports on or containing judgements on specific topics, including weak governance, poor financial management, financial difficulties, major projects and contracts (including ICT)
- modified opinions on the annual accounts (these would normally be the subject of a statutory report)
- areas that have been subject to significant media interest (local or national) or correspondence.

202. 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.

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

# Appendix 1

## Fee for the audit

### Introduction

1. Auditors should include the agreed fee in the annual audit plans. If the plan is complete before the fees are agreed, auditors must inform AQA and confirm the fee as soon as it is agreed. This allows Audit Scotland to accurately invoice audited bodies.
2. Auditors must provide key audit contact (appointment lead and manager) and audited body billing details (for invoicing) to AQA by **2 November 2018**. Audit Scotland will provide a pro forma for completion.
3. Guidance on determining agreed fees in conjunction with audited bodies, as well as the construction of expected fee ranges by AQA, is included in auditors' letters of appointment.

### Definitions

4. The terminology used in agreeing fees and paying auditors is set out in the table below and expanded upon in the paragraphs that follow:

Term	Meaning
Expected fee	The fee set by Audit Scotland
Agreed fee	The fee agreed between an audited body and their auditor
Auditor remuneration	The part of the fee payable to the auditor, before the application of any discount
Pooled costs	The costs attributable to audits that are pooled to ensure that as far as possible an audited body pays the same fee irrespective of their geographic location or whether the auditor is an Audit Scotland team or any of the appointed private firms
Contribution to performance audit and Best Value work	The part of the agreed fee that is retained by Audit Scotland to meet the costs of performance audit and Best Value work in local government bodies
Audit support	The part of the agreed fee that is retained by Audit Scotland to meet the cost of providing technical guidance and support and managing the audit appointments
Net discount	The discount offered in the tender for the sector, adjusted by the base discount applicable to the sector
Net remuneration	The auditor remuneration less the net discount offered by the firm

### Expected fee

5. Audit Scotland sets an expected fee for each audit carried out under appointment that assumes the body has well-functioning controls, an effective internal audit service, and an average risk profile.
6. Audit Scotland reviews the expected fee each year and adjusts it if necessary based on auditors' experience, new requirements, or significant changes to audited bodies.
7. Audit Scotland will notify auditors about the expected fees for 2018/19 following submission of Audit Scotland's budget to the Scottish Commission for Public Audit in December 2018. The remuneration rate used to calculate fees has increased by 2.3% based on Audit Scotland's scale uplift.

### Agreed fee

8. Auditors must negotiate a fee with the audited body during the planning process. The fee may be varied by up to 10% above the auditor remuneration to reflect the circumstances and local risks within the body (bodies with an expected fee below £26,000 may be increased by up to 20%).
9. All fees should normally be agreed within this permitted range. If local circumstances require a fee higher than the permitted range, auditors must notify AQA and obtain approval. Initial discussions with the audited body about a proposed fee outside the range are permitted.
10. Audit Scotland will bill the body for the agreed audit fees. The first instalment will be based on one third of the expected fee. Subsequent instalments are adjusted to reflect agreed fees (except colleges, where there are only two instalments of half the agreed fee).
11. Fees agreed with bodies may be revised during the audit within the permitted range. This does not require approval from Audit Scotland, but auditors should notify any such fee amendments promptly to AQA along with the reasons for the change.
12. Audit Scotland is not empowered to levy charges on some central government bodies (as specified in the annex to this appendix) and the costs of auditing these bodies are met from Parliamentary funding. However, in these cases, auditors must still agree an audit fee that reflects the risks in that body.
13. The agreed fee is composed of four elements:
  - Auditor remuneration
  - Pooled costs
  - Contribution to performance audit and BV work (Local government sector only)
  - Audit support.
14. When preparing fee proposals, auditors are encouraged to cross-refer to the fee letters that Audit Scotland issued to audited bodies. Auditors should use the same language and defined terms as set out in this guidance and these letters to promote understanding of the fees regime.

## Auditor remuneration

15. The auditor remuneration is the part of the fee payable to the auditor, before the application of any discount. It is the baseline remuneration level for each audit. It is from this that any adjustments due to inflation and changed requirements will be applied. Auditor remuneration levels for 2016/17 were reduced in each sector by the base discount.

## Pooled costs

16. Pooled costs are the parts of the agreed fee that are retained by Audit Scotland to meet the costs that are pooled so that as far as possible an audited body should pay the same fee irrespective of their geographic location or whether the auditor is ASG or any of the private firms. This includes travel and expenses, and is reduced by procurement savings.

## Contribution to performance audit and Best Value work

17. Contribution to performance audit and BV work is the part of the agreed fee that is retained by Audit Scotland to meet the costs of this work. Local government bodies pay for the cost of all audit work carried out in the sector including national performance audits, BVARs and HB performance audits. Some BV work and HB audits are programmed over a number of years, but the costs are pooled to avoid volatility of audit fees. Other sectors' performance audit work is met from Parliamentary funding.

## Audit support

18. Audit support is the part of the agreed fee that is retained by Audit Scotland to meet the costs of Professional Support providing technical guidance and support, and AQA managing the audit appointments including quality appraisal.

## Net discount

19. In the 2016 tender, each firm offered a discount for each sector they bid for. The lowest successful discount offered in each sector has been applied to all the audits. Each auditor was informed of their net discount in each sector in 2016.
20. Where auditors engage in non-audit services and refer to the maximum grade related rates, these should be adjusted by the actual bid discount, and not the net discount.

## Net remuneration

21. The net remuneration is the auditor remuneration, adjusted by the net discount applicable to the firm for the relevant sector. The difference between auditor remuneration and net remuneration has been pooled and offset against the travel and subsistence in pooled costs.

## Contact points

22. The contacts in AQA are
  - **Owen Smith**, [osmith@audit-scotland.gov.uk](mailto:osmith@audit-scotland.gov.uk) or 0131 625 1914.
  - **John Gilchrist**, [jgilchrist@audit-scotland.gov.uk](mailto:jgilchrist@audit-scotland.gov.uk) or 0131 625 1659.

## Annex to Appendix 1

### Bodies on which Audit Scotland is not empowered to levy charges

The bodies on which Audit Scotland is not empowered to levy charges are

- Accountant in Bankruptcy
- Crown Office and Procurator Fiscal
- Disclosure Scotland
- Education Scotland
- Food Standards Scotland
- Forestry Commission (Scotland)
- National Records of Scotland
- NHS Superannuation Scheme Scotland
- Office of the Scottish Charity Regulator
- Queen's and Lord Treasurer's Remembrancer
- Revenue Scotland
- Scottish Consolidated Fund
- Scottish Courts and Tribunals Service
- Scottish Fiscal Commission
- Scottish Government
- Scottish Government Non Domestic Rates Account
- Scottish Housing Regulator
- Scottish Parliamentary Corporate Body
- Scottish Prison Service
- Scottish Public Pensions Agency
- Scottish Teachers' Superannuation Scheme
- Student Awards Agency for Scotland
- Transport Scotland.

While these bodies are not required to meet the resulting cash cost of the audit fee, they are required to disclose notional audit fees in their financial statements which count against budget cover and reflect, among other things, the standard of governance etc perceived to be in place in the body.

# Appendix 2

## Additional and non-audit services

### Additional audit work

1. The letter of audit appointment permits auditors to carry out additional audit work not provided for in the construction of expected fee or the initial audit plan.
2. If the additional work can be accommodated within the permitted range and agreed with the audited body, the amendment does not need the approval of Audit Scotland. Auditors should notify fee amendments due to additional work promptly to [outputs@audit-scotland.gov.uk](mailto:outputs@audit-scotland.gov.uk). The audited body will be charged as part of the regular charging cycle, and payments to auditors will be made as part of the final remuneration claim.
3. Where the nature of the additional audit work merits a separate fee, or the adoption of grade-related rates (within the maximum rates specified later in this appendix), the auditor must first obtain approval from AQA about the nature and scale of the work. If the circumstances justify the auditor's proposal, approval will be given to agree a separate fee with the audited body. Requests to agree a separate fee must identify the audit staff to be used, their grades and the charge-out rates proposed.
4. Once approved by AQA, auditors must confirm that the audited body has agreed to meet the additional fees. Audit Scotland will invoice the audited body for the work plus any related travel and subsistence expenses claimed by auditors, who should ensure that this is understood by the audited body. Auditors should inform AQA if the invoice is to be sent to a particular individual, and include an appropriate description for the work.
5. Firms carrying out additional work should invoice Audit Scotland as described in appendix 3. In the local government sector, any recoverable VAT on additional fees will be applied to reduce the contribution in respect of local government bodies.
6. Grade related rates may also be used by PABV or the Correspondence Team, for example, for preparing statutory reports or to inform fees for auditor involvement as a result of correspondence from the public. In these cases, the fee is agreed between the auditor and PABV/Correspondence Team. Preliminary enquiries are part of core audit work. If further work is required, additional fees may be agreed. In all cases, fees must be agreed with PABV/correspondence team before work commences. The cost of this work is not normally invoiced directly to audited bodies but pooled and recovered through Audit Scotland's contributions.
7. The maximum grade-related daily rates (including VAT at 20%) that apply both to firms and to ASG staff for 2018/19 audits are shown below:

Partners/Directors	Senior Audit Managers/ Audit Managers	Qualified staff	Other staff
£2,049	£1,148	£695	£463

8. Firms should note that while these are the maximum rates that apply to additional fee discussions with audited bodies, the amount actually claimed from Audit Scotland should be reduced by the discount included in the firm's tender bid for the relevant sector.
9. Except in the local government sector, the VAT element of the daily rates is not recoverable by Audit Scotland and becomes a cost. Audit Scotland does not charge output VAT and it is important that auditors ensure that audited bodies understand that none of their audit fees are recoverable from HM Revenue and Customs.

### Non-audit services

10. Auditors invited to undertake non-audit services for their audited bodies must contact AQA to obtain approval before commencing the work. This is referred to in more detail in letters of appointment and in Audit Scotland's policy on non-audit services (see annex to this appendix).
11. When applying for approval for non-audit services, auditors must:
  - describe the work
  - describe any safeguards that are proposed to ensure there is no conflict (actual or perceived)
  - confirm that their designated appointment lead has also approved that the work is in accordance with the Ethical Standard
  - provide the expected fee income if available.
12. Auditors are responsible for billing the audited body directly for non-audit services.
13. All non-audit services carried out during the year must be declared on final fee claims.

### Contact points

14. The contacts in AQA are
  - **Owen Smith**, [osmith@audit-scotland.gov.uk](mailto:osmith@audit-scotland.gov.uk) or 0131 625 1914.
  - **John Gilchrist**, [jgilchrist@audit-scotland.gov.uk](mailto:jgilchrist@audit-scotland.gov.uk) or 0131 625 1659.



## Annex to Appendix 2

### Policy statement on non-audit services by appointed auditors

This policy statement applies to all audits where the auditor is appointed by the Auditor General or the Accounts Commission.

The objective of the policy is to avoid situations where non-audit services carried out by an Appointed Auditor creates an actual, potential or perceived conflict with the role of external auditor.

#### Basic Policy

During the currency of an appointment an auditor, or any firm with which an auditor has a direct association, shall not carry out additional work, consultancy or otherwise, for public sector bodies which they audit without the prior approval of Audit Scotland.

Requests should be made in writing to Audit Quality and Appointments. Requests should be accompanied by express assurance from the auditor that the Engagement Partner has reviewed the proposed work and that they do not consider that it represents a conflict with the firm's role as external auditor, in particular a self review threat.

Audit Quality and Appointments (AQA) will make its decision on any request having regard to the FRC Ethical Standard currently in force and the wider scope of public audit as outlined in the Code of Audit Practice. AQA may also consult Audit Scotland's Ethics Partner. For example, in accordance with paragraph 5.53 of the Ethical Standard (June 2016), approval would not be given for external auditors to seek appointment as internal auditors.

#### Non Profit Distributing (NPD) projects

##### Conditions

Applications will be considered for audit firms to advise companies or consortia bidding for, or being awarded, NPD contracts with audited bodies on the following conditions:

- the auditor or firm must not act as principal but only as an advisor
- the audited body must be aware of and be content with the audit firm's role
- the audited body should generally be independently advised
- the auditor undertakes, through the appointment letter or otherwise, not to use the same staff on both the audit and advisory assignments and not to pass any information gained from the audit to the advisory team without the express written permission of the audited body.

##### Independent Review

The Auditor General and the Accounts Commission reserve the right to appoint an independent auditor to review any project where an auditor has acted as an advisor in any capacity, should problems be encountered with the project.

# Appendix 3

## Claiming remuneration

### Introduction

1. The procedure for claiming remuneration differs between the firms and ASG. Firms are paid by Audit Scotland for their work whereas for ASG it is an internal recharging process, so no direct claims are needed.

### Firms

#### Claiming remuneration

2. Auditors' remuneration and related expenses should be claimed using the 2018/19 pro forma claim forms/tax invoices. Where firms' own systems require them to raise fees on their own stationery these should not be submitted to Audit Scotland with the pro forma claim. Payments of auditors' remuneration are made against pro forma claim forms only.
3. Auditors should submit all pro forma claims electronically to [outputs@audit-scotland.gov.uk](mailto:outputs@audit-scotland.gov.uk). These should be shown as having been authorised by the appointment lead by including their name on the pro forma.
4. Remuneration should be claimed near the start of the audit by completing the initial claim pro forma in the first worksheet of the Excel workbook. The initial claim should be based on 95% of the net remuneration based on the expected fee.
5. The initial pro forma claim calculates the monthly instalments being claimed. Audit Scotland will make payments to firms' bank accounts by standing order.
6. The following rules must be followed when completing the schedule of instalments on the initial fee claim pro forma:
  - All instalment dates/tax points should refer to the 21st of each month.
  - The first instalment should allow at least 10 working days from date of receipt for the claim to be processed in Audit Scotland. This is due to the time needed to check and authorise claims and for a standing order to be set up. If auditors are unsure if there is enough time for a claim to be processed they should defer the first instalment to the next month.
  - The first instalments in all sectors must be no earlier than 21 December 2018.
  - The last instalment dates are set at those shown in the following table:

Sector	Last instalment
Local government	21 October 2019
Central government (Scottish Water)	21 October 2019 (21 June 2019)
Health	21 July 2019
College	21 October 2019

- Each instalment is calculated to be exactly the same amount and rounded to the nearest pound so the total of the instalments may not be exactly 95% of the calculated figure.
  - Each instalment/tax point must apply the VAT rate that applies, or is expected to apply, at the stated date. The pro forma claim is set up so that the VAT rate will not affect the gross amount of each instalment, only the split between the net remuneration and VAT.
7. Audit Scotland will not amend a monthly instalment scheme once a standing order has been set up so the final claim should reflect the net remuneration based on the final agreed fee less the total of all the instalments claimed initially
  8. The balance of the remuneration should be claimed on completion of the audit by submitting a final claim/tax invoice pro forma (see the second worksheet in the Excel file).
  9. The final claim may be submitted and paid before the date of the last instalment on the initial claim if all agreed audit outputs have been submitted and progress reported as 100%. The remaining instalments will be paid by standing order in line with the instalment dates on the initial claim.
  10. In exceptional circumstances where audit work is complete (but not audit outputs) and auditors are unable to submit the final claim for reasons outside their control, they may provide details in writing of the circumstances precluding audit completion and seek approval to claim some or all of the balance of the auditors' remuneration. Auditors should seek this approval before submitting the final claim.

### Firms' expenses

11. Travel and subsistence expenses are normally reimbursed on an actual cost basis so they should not ordinarily be included in the initial pro forma claim. A proportion of the estimated expenses may be included in the initial claim if expenses are anticipated to be particularly high, such as audits based in the islands or the most distant stay-away audits. The amount of expenses that may be included in the initial claim should not exceed:
  - the total expenses expected to be incurred on the audit (including VAT) less
  - 5% of the expected or agreed audit fee (whichever is used on the initial claim).
12. Any expenses being claimed on the initial claim must be approved by AQA before submitting the claim.

13. The actual amount of reasonable travel and subsistence expenses necessarily incurred in carrying out the audit should be claimed on the final pro forma claim. Expenses should not be adjusted by the net discount. Audit Scotland monitors the level of expenses claimed on audits and, in line with the terms of letters of audit appointment (paragraph 5.15), assumes that most of the audit is done by staff working from the office location identified in the auditor's Tender Response which is closest to the audited body. Details of expenses may be requested if claims are higher than expected.
14. Travel and subsistence expenses for 'additional audit work' (whether requested by the audited body or for correspondence referred by Audit Scotland) should be included with the fee claim for that work.

### **Additional audit work**

15. Auditors must claim fees and expenses from Audit Scotland for additional audit work either by advising Audit Scotland of a variation in the agreed fee or on their own invoice stationery where it merits a separate fee. Fee claims for additional audit work should be submitted on satisfactory completion of the work and any related report to [outputs@audit-scotland.gov.uk](mailto:outputs@audit-scotland.gov.uk) with confirmation from the audited body that they are satisfied with the work. Non-audit services that has been approved by Audit Scotland should be billed to the audited body, not to Audit Scotland.
16. The maximum grade related daily fee rates set by Audit Scotland for 2018/19 audits include 20% input VAT. These grade related rates are shown in Appendix 2 but the amount actually claimed from Audit Scotland should be reduced by the discount included in the firm's tender bid for the relevant sector.

## **Audit Services Group**

### **Claiming remuneration**

17. The Finance Team credits ASG's trading accounts by accessing ASG's monthly progress percentages and applying these to the agreed fees that have been notified through agreed annual plans to Audit Scotland.
18. ASG should inform AQA promptly about any amendments to agreed fees. The Finance Team accesses this information and uses it to update its records, calculate the monetary value of the work in progress and to invoice audited bodies.
19. ASG's progress reporting should not show audits as more than 99% complete until all the planned audit outputs for an audit have been delivered. If the time-based reports (i.e. input based) show audits as more than 100% complete, the 'Adjusted WIP' column within the online report should be altered to reflect the true (i.e. output based) extent of completion.

## Additional audit work

20. ASG should claim credits for additional audit work undertaken separately from the agreed fee via Audit Scotland. There is no prescribed format for such claims. However, the nature of the work undertaken, and the level of audit input should be included in the claim.
21. Audit Scotland uses such claims to instruct the Finance Team to invoice the audited body. The claim/notification should therefore include any special billing instructions (e.g. the preferred invoice narrative and the name and address of the officer in the audited body to whom the invoice should be sent).
22. Claims for additional fees agreed with an audited body should be submitted on satisfactory completion of the work and any related report. To avoid disputes, auditors should confirm that the audited body is satisfied with the work before submitting the fee claim and billing request to Audit Scotland. Fee claims and billing requests relating to additional audit work should be submitted to AQA.

## All auditors

### Statutory reports and referred correspondence

23. Auditors should discuss the likely cost of statutory reports and investigating correspondence from the public referred to the auditor by the Correspondence Team with reference to the maximum grade related rates set out at Appendix 2. Claims should be submitted on satisfactory completion of the work and any report requested by the correspondence team. Any fee claims for work on referred correspondence should be submitted for the attention of **Angela Canning**, Audit Director ([acanning@audit-scotland.gov.uk](mailto:acanning@audit-scotland.gov.uk)).

### Contact points

24. The contacts in AQA are
  - **Owen Smith**, [osmith@audit-scotland.gov.uk](mailto:osmith@audit-scotland.gov.uk) or 0131 625 1914.
  - **John Gilchrist**, [jgilchrist@audit-scotland.gov.uk](mailto:jgilchrist@audit-scotland.gov.uk) or 0131 625 1659.

# Appendix 4

## Reporting audit progress

### Progress reports

25. Progress reports are an important source of management information for Audit Scotland and must reflect fairly the percentage of the audit work completed and the progress made with submitting audit outputs.
26. An important part of the progress report is confirming whether or not the independent auditor's report and the annual audit report are expected to be submitted by the deadlines set out in this annual planning guidance. Auditors must advise Audit Scotland as soon as they think that either of these deadlines may not be met.
27. For firms' audits, a pro forma progress report for each audit should be submitted quarterly to [outputs@audit-scotland.gov.uk](mailto:outputs@audit-scotland.gov.uk) within 3 working days of the end of December, March, June and September until the audit is complete in all respects. A final progress report must also be submitted as soon as possible after the audit is complete either with, or prior to, the submission of each final claim.
28. ASG progress on audits is monitored through internal reporting. There is therefore no need for ASG staff to submit progress reports; instead they should ensure that the internal reporting information is kept up to date, particularly at the end of each quarter.

### Contact points

29. The contacts in AQA are
  - **Owen Smith**, [osmith@audit-scotland.gov.uk](mailto:osmith@audit-scotland.gov.uk) or 0131 625 1914.
  - **John Gilchrist**, [jgilchrist@audit-scotland.gov.uk](mailto:jgilchrist@audit-scotland.gov.uk) or 0131 625 1659.

# Appendix 5

## Auditor's annual quality reports

1. Each appointed auditor should prepare an annual report on the work they have done under their audit appointments. These will be used to inform the audit quality reporting to the Auditor General and the Accounts Commission. The 2018/19 quality report should be submitted by 31 January 2019. If cold reviews are not completed by then, the report should still be submitted by 31 January, and the completed cold reviews by 28 February 2019.
2. Auditors should submit annual quality reports to AQA as follows:

Auditor	Submission
ASG	Save in the appropriate audited body's <b>Financial Audit - Outputs</b> library on ishare 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>

3. There is no set proforma for the quality reports but they should cover the areas explained in the following paragraphs.

### Audit delivery

4. A summary of the auditor's performance in delivering audit plans, independent auditor reports and annual audit reports by the deadlines set out in this planning guidance.

### Improvements arising from cold reviews

5. A summary of the outcome of any internal cold reviews of audits carried out during the year, clearly stating the audit year to which any such review relates. Where internal gradings differ from those used by the FRC, auditors should show how it translates to the FRC gradings so that AQA can make fair comparison across all reviews (for the avoidance of doubt, auditors should continue to send the results of any internal reviews by 28 February or as soon as they are completed including, if possible, the completed review programmes and/or full review report).
6. A summary of any improvements made to audit methodologies arising from previous cold reviews (whether internal or external) and the effect of such improvements on Scottish public sector audits, and action plans to support further continuous improvement.

### Audit quality indicators

7. For audit firms, confirmation that the people related audit quality indicators included in the firm's transparency report (where produced) are representative of those for the staff deployed on Auditor General and Accounts Commission audits (please explain any significant factors

that would have resulted in different performance). For Audit Scotland, data on the people related audit quality indicators used by the firms. For both firms and Audit Scotland, the people related audit quality indicators are:

- Staff opinion on whether they feel they are encouraged to carry out a quality audit (positive / neutral/ negative)
- Staff views on whether they feel they have the time and resources available to enable them to deliver a high quality audit (positive / neutral/ negative)
- Staff opinion on training and development activity and if the level they receive enables them to deliver a quality audit (positive / neutral/ negative)
- The average number of training days/hours delivered per member of staff
- Average cost per training day (if available)
- Percentage of staff with a CCAB qualification and in training
- A summary of action taken as a result of staff survey results.

### Independence

8. Confirmation that there have been no issues arising in relation to independence and the Ethical Standard that needed to be reported to audited bodies (if there were then and explanation of how they were resolved should be provided).
9. Any instances of non-audit services that were refused without referring the request to AQA.

### Disputed action plan points

10. Any instances where a body has declined to take any recommended action.

### Prior period errors

11. A summary of prior period errors corrected in the 2017/18 financial statements. This will allow comparison with the prior year and help to identify any themes on errors arising.

### Adds value

12. How auditors have added value for audited bodies, Audit Scotland, the Auditor General or Commission. Where applicable, auditors may refer to commitments made in tender submissions and any additional added value provided.

### Culture

13. A summary of what has been done in response to the FRC's thematic review of audit culture, highlighting in particular the changes made to improve audit quality.



# Appendix 6

## Central government bodies participating in the National Fraud Initiative

Body	Own System	SG system
Accountant in Bankruptcy		X
Care Inspectorate	X	
Creative Scotland	X	
Crofting Commission		X
Crown Office	X	
Disclosure Scotland		X
Education Scotland		X
Food Standards Scotland		X
Forest Enterprise (Scotland)		X <sup>1</sup>
Forestry Commission (Scotland)	X	
Highlands and Islands Enterprise	X	
Historic Environment Scotland	X	
National Galleries of Scotland	X	
National Library of Scotland	X	
National Museums of Scotland	X	
National Records of Scotland		X
NHS Superannuation Scheme		X
Office of the Scottish Charity Regulator		X
Police Investigations & Review Commissioner		X
Registers of Scotland	X	
Revenue Scotland		X
Risk Management Authority		X
Royal Botanic Garden Edinburgh	X	

Body	Own System	SG system
Scottish Canals	X	
Scottish Children's Reporter Administration	X	
Scottish Court Service	X	
Scottish Criminal Cases Review Commission		X
Scottish Enterprise	X	
Scottish Environment Protection Agency	X	
Scottish Fire & Rescue Service	X	
Scottish Funding Council	X	
Scottish Government	X	
Scottish Housing Regulator		X
Scottish Legal Aid Board	X	
Scottish Natural Heritage	X	
Scottish Parliamentary Corporate Body	X	
Scottish Police Authority	X	
Scottish Prison Service	X	
Scottish Public Pensions Agency		X <sup>2</sup>
Scottish Qualifications Authority	X	
Scottish Road Works Commissioner		X
Scottish Social Services Council	X	
Scottish Water	X	
Skills Development Scotland	X	
Sportscotland	X	
Student Awards Agency for Scotland		X <sup>2</sup>
Teachers' Superannuation Scheme		X
Transport Scotland		X
VisitScotland	X	

<sup>1</sup> Forestry Commission (Scotland) is coordinating NFI on behalf of Forest Enterprise (Scotland). Has own payroll, EASEBuy and FAR systems.

<sup>2</sup> SAAS uses SG systems but has its own awards data; SPPA and NHS and Teachers' pension schemes use SG systems except for pension awards.

# Appendix 7

## Key outputs and dates

The following tables summarise the audit outputs which auditors are required to submit to Audit Scotland in respect of 2018/19. In this context, 'submit' means

Auditor	Submission
ASG	Save in the appropriate audited body's <b>Financial Audit - Outputs</b> library (or <b>Key Client Documents</b> for the audited accounts) on ishare 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>

Dates marked with a \* are indicative. Auditors should refer to the relevant technical guidance note for the precise date.

## Local government sector

Date	Activity	Contact	Section
02/11/18	Submit appointment lead and manager contact details, and audited body billing details	Owen Smith	Appendix 1
30/11/18	Submit fraud cases in quarter	Anne Cairns	5J
07/12/18	Submit initial fee claim (firms)	Owen Smith	Appendix 3
07/01/19	Submit December progress report (firms)	Owen Smith	Appendix 4
21/01/19	Submit current issues return 1	Anne MacDonald	5E
28/02/19	Submit fraud cases in quarter	Anne Cairns	5J
22/03/19	Submit current issues return 2	Anne MacDonald	5E
29/03/19	Submit annual audit plan	Owen Smith	1
03/04/19	Submit March progress report (firms)	Owen Smith	Appendix 4
31/05/19	Submit fraud cases in quarter	Anne Cairns	5J
30/06/19	Submit NFI questionnaire	Anne Cairns	5L
03/07/19	Submit June progress report (firms)	Owen Smith	Appendix 4
06/07/19	Submit technical database return	Tim Bridle	5N

Date	Activity	Contact	Section
19/07/19	Submit current issues return 3	Anne MacDonald	5E
31/07/19*	Submit report on EMA claim to SG	Tim Bridle	5F
30/08/18	Submit fraud cases in quarter	Anne Cairns	5J
28/09/19*	Submit WGA assurance statement and return to NAO	Paul O'Brien	5G
30/09/19	Express opinions on annual accounts	Paul O'Brien	2
30/09/19	Submit annual audit report and one set of audited accounts	Owen Smith	2
01/10/19	Submit BV data return (firms)	Fiona Mitchell-Knight	3
01/10/19	Submit minimum dataset for financial overview	Carol Calder	4
03/10/19	Submit September progress report (firms)	Owen Smith	Appendix 4
06/10/19*	Submit report on NDR return to SG	Tim Bridle	5F
18/10/19	Submit current issues return 4	Anne MacDonald	5E
29/11/19	Submit report housing benefits subsidy claim to DWP	Anne Cairns	5F
29/11/19	Submit all remaining outputs of the audit	Owen Smith	6
29/11/19	Submit final fee claim & final progress report (firms)	Owen Smith	Appendix 4

## Central government sector

Date	Activity	Contact	Ref
02/11/18	Submit appointment lead and manager contact details, and audited body billing details	Owen Smith	Appendix 1
30/11/18	Submit fraud cases in quarter (NDPBs)	Anne Cairns	5J
07/12/18	Submit initial fee claim (firms)	Owen Smith	Appendix 3
07/01/19	Submit December progress report (firms)	Owen Smith	Appendix 4
21/01/19	Submit current issues return 1	Michael Oliphant	5E
28/02/19	Submit annual audit plan	Owen Smith	1
28/02/19	Submit fraud cases in quarter (NDPBs)	Anne Cairns	5J
03/04/19	Submit March progress report (firms)	Owen Smith	Appendix 4
31/05/19	Submit fraud cases in quarter (NDPBs)	Anne Cairns	5J
14/06/19	(SW only) Express opinions on accounts, submit audited accounts and annual auditors report	Owen Smith	2
14/06/19	(SW only) Submit all remaining outputs of the audit	Owen Smith	6
14/06/19	(SW only) Submit final fee claim (firms) & final progress report	Owen Smith	Appendix 4
30/06/19	Submit NFI questionnaire	Anne Cairns	5L
03/07/19	Submit June progress report (firms)	Owen Smith	Appendix 4
19/07/19	Submit current issues return 2	Michael Oliphant	5E
30/08/19	Submit fraud cases in quarter (NDPBs)	Anne Cairns	5J
28/09/18*	Submit WGA assurance statement and return to NAO, where required	Paul O'Brien	5G
03/10/19	Submit September progress report (firms)	Owen Smith	Appendix 4
31/10/19	Express opinions on annual report and accounts	Paul O'Brien	2
31/10/18	Submit annual audit report and two sets of audited accounts	Owen Smith	2
31/10/18	Submit all remaining outputs of the audit	Owen Smith	6

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Date	Activity	Contact	Ref
31/10/18	Submit final fee claim & final progress report (firms)	Owen Smith	Appendix 4

## Health sector

Date	Activity	Contact	Section
02/11/18	Submit appointment lead and manager contact details, and audited body billing details	Owen Smith	Appendix 1
07/12/18	Submit initial fee claim (firms)	Owen Smith	Appendix 3
07/01/19	Submit December progress report (firms)	Owen Smith	Appendix 4
21/01/19	Submit current issues return	Leigh Johnston	5E
28/02/19	Submit annual audit plan	Owen Smith	1
03/04/19	Submit March progress report (firms)	Owen Smith	Appendix 4
30/06/19	Express opinions on annual report and accounts	Paul O'Brien	2
30/06/19	Submit excel version of audited accounts and Consistency certificate	Owen Smith	2
30/06/19	Submit NFI questionnaire	Anne Cairns	5L
01/07/19	Submit annual audit report and two sets of audited accounts	Owen Smith	2&6
01/07/19	Submit minimum dataset for overview	Leigh Johnston	4
01/07/19	Submit all remaining outputs of the audit	Owen Smith	6
03/07/19	Submit final fee claim and June progress report (firms)	Owen Smith	Appendix 4



## College sector

Date	Activity	Contact	Ref
02/11/18	Submit appointment lead and manager contact details, and audited body billing details	Owen Smith	Appendix 1
07/12/18	Submit initial fee claim (firms)	Owen Smith	Appendix 3
07/01/19	Submit December progress report (firms)	Owen Smith	Appendix 4
22/03/19	Submit current issues return 1	Mark MacPherson	5E
03/04/19	Submit March progress report (firms)	Owen Smith	Appendix 4
28/06/19	Submit annual audit plan	Owen Smith	1
30/06/19	Submit NFI questionnaire	Anne Cairns	5L
03/07/19	Submit June progress report (firms)	Owen Smith	Appendix 4
08/11/19	Submit current issues return 2	Mark MacPherson	5E
03/10/19	Submit September progress report (firms)	Owen Smith	Appendix 4
31/12/19	Express opinions on annual report and accounts	Paul O'Brien	2
31/12/19	Submit annual audit report and two sets of audited accounts	Owen Smith	2
31/12/18	Submit minimum dataset for overview	Mark MacPherson	4
31/12/19	Submit all remaining outputs of the audit	Owen Smith	6
07/01/20	Submit final fee claim and final progress report (firms)	Owen Smith	Appendix 4

