

Code of Audit Practice

**Supplementary guidance – wider scope audit, less
complex bodies and Best Value**



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1. Introduction

- 1.** This supplementary guidance supports the [Code of audit practice](#) (the Code), published in June 2021. Appointed auditors must comply with the principles and requirements of the Code when planning and reporting their audit work.
- 2.** This guidance is published to inform auditors and support a shared understanding of the application of these areas of the Code. In accordance with Appendix 6 of the Code, auditors are expected to pay due regard to this guidance.
- 3.** It provides more detailed guidance on three specific areas identified in the Code for auditors carrying out audit work for the Auditor General for Scotland and the Accounts Commission. These are:
 - supporting the successful delivery of the wider scope of public audit as part of the annual audit as laid out in the Code (paragraphs 37 and 58 to 80)
 - specifying the criteria to be used when identifying a less complex body (Code paragraphs 83 to 86)
 - how Best Value integrates into the annual audit (Code paragraph 87).
- 4.** Audit Quality and Appointments (AQA) will review audit outputs to ensure compliance with the Code and relevant guidance as part of the quality assurance work that it undertakes under the Audit Quality Framework to provide assurances to the Auditor General and the Accounts Commission.
- 5.** Other guidance that supplements the Code is provided by Professional Support.

2. Wider scope of public audit

Introduction

6. The Code provides the following summary of the wider scope of public audit in Scotland:

Paragraph 37

‘Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector. The wider-scope audit specified by this Code broadens the audit of the accounts to include consideration of additional aspects or risks in areas of financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes. In local government, public audit includes the audit of arrangements for, and performance of, the audited body’s duties for Best Value and community planning.’

7. The wider scope audit is an integral part of the annual audit work that appointed auditors carry out. The Code states:

Paragraph 58

‘Auditors consider the significant audit risks in areas defined in the Code as the wider-scope audit. Auditors consider these additional requirements when:

- identifying significant audit risks at the planning stage
- reporting the work done to form conclusions on those risks
- making recommendations for improvement and, where appropriate, setting out conclusions on the audited body’s performance.’

Planning work on the wider scope

8. The auditor should consider the following audit areas when undertaking their annual risk assessment of the audited body and preparing their annual audit plans:

- **financial management**
- **financial sustainability**
- **vision, leadership and governance**
- **use of resources to improve outcomes.**

9. The Code states the following on planning the audit:

Paragraph 50

‘Audit planning responds to changes in audit risk and audit findings, as well as the context in which audited bodies are operating and their risks. Where significant risks to the audit of the accounts, including wider-scope responsibilities, are identified at the planning stage, auditors set out the work planned to address these risks in the annual audit plan.’

10. Auditors should consider the wider scope areas at the planning stage (gathering relevant evidence). If in the auditor’s judgement there may be a significant risk but they cannot initially substantiate this, then they should consider doing more detailed work. This detailed work should allow them to make a judgment on whether a significant wider scope risk exists.

11. When auditors identify significant audit risks related to the wider scope, they should state the audit work that they plan to do in the annual audit plans. The local risk assessment may be supplemented by national/sectoral risks highlighted in the annual planning guidance.

12. This work should enable them to obtain sufficient evidence to provide judgements and conclusions on the wider scope areas in their annual audit reports. If no significant risks are identified to the wider scope, the auditor should explicitly state this in the annual audit plan.

Wider scope example questions

13. Audit Scotland has prepared example questions (shown at appendix 1). These questions are not meant to be used as a ‘checklist’ but as a guide to assist auditors when carrying out their risk assessment and planning their wider scope audit work. Furthermore, the questions may change in response to the shift in focus of the risks facing external audit during an audit appointment.

Reporting on the wider scope

14. The Code states the following on annual auditor reporting on the wider scope:

Paragraphs 77 to 79

'The annual audit report is a separate report issued by auditors at the conclusion of the year's audit. It includes the information to be reported to the audited body and the Auditor General, or the Controller of Audit, and other specified recipients, as appropriate. It includes:

- significant matters arising from the audit of financial statements and related reports
- conclusions on the wider-scope audit and Best Value.

Auditors provide clear judgements and conclusions on the effectiveness and appropriateness of the arrangements in place based on the work that they have done. If there are significant risks, appointed auditors make recommendations for improvement. Annual audit reports include conclusions which are retrospective in nature, comment on progress in implementing previous recommendations and on forward plans within aspects of the wider scope requirements.

Auditors include in their annual audit report a clear narrative that explains what the auditor found and the auditor's judgement in respect of the effectiveness and appropriateness of the arrangements that audited bodies have in place regarding the wider-scope audit. Describing the arrangements in place at an audited body would not be sufficient to meet this responsibility.'

Effectiveness and appropriateness of arrangements

15. Audited bodies are responsible for ensuring the proper financial stewardship of public funds, compliance with relevant legislation, and establishing effective governance of their activities. They are also responsible for ensuring that resources are being used to improve strategic outcomes and for demonstrating the economy, efficiency, and effectiveness through the use of resources (Code paragraphs 19, 69 and 70).

16. It is the audited body arrangements that appointed auditors are reviewing and forming a conclusion on when discharging their wider scope responsibilities. These arrangements should be effective, appropriate, and proportionate to the nature of the public body and the services, functions, and strategic outcomes that it has been created to deliver. Appointed auditors will apply their professional judgement and professional scepticism in this area.

17. It is for auditors to assess the evidence required to support their conclusions on the wider scope. Auditors may include conclusions or views expressed by other bodies such as internal audit, regulators, scrutiny bodies or national performance audit reports.

18. A conclusion should be made in the annual audit report for each of the wider scope audit areas.

19. Where arrangements are not effective or are absent auditors should make appropriate comment and recommendations for improvement in their annual audit report.

20. Where an auditor concludes that the arrangements are generally effective and operating as expected then auditors should report this finding clearly and

explicitly in their annual audit report. Auditors should provide a clear narrative that explains the judgements that underpin their conclusions.

21. Readers of annual audit reports should be left with a clear understanding of what the auditor's conclusions are on the effectiveness and the appropriateness of the wider scope arrangements that the audited body has in place.

3. Less complex bodies

22. The Code provides for the Auditor General and the Accounts Commission to specify an alternative audit approach where an audited body might be considered to be less complex due to its size and its limited financial activity. This guidance sets out the criteria for auditors to use to determine if a body is less complex and the audit approach to be adopted in such circumstances. Body is used throughout this guidance, but the principles apply to an account that is not a body.

Paragraphs 83 to 86

‘The Auditor General or the Accounts Commission may permit an alternative audit approach where an audited body is less complex owing to its size and its limited financial activity. The Auditor General and the Accounts Commission specify in guidance the criteria used to identify a less complex body.

A full ISA compliant audit is required at a less complex body unless the Auditor General or Accounts Commission specify an alternative approach as proper practice.

The audit of the wider-scope and Best Value in an audited body which meets the definition of a less complex body under the Code may be limited to:

- a review of the Annual Governance Statement
- concluding on the financial sustainability of the body and the services that it delivers over the medium to longer term and; for local government bodies, reporting on the arrangements for securing Best Value.

Auditors are required to consider whether there are any audit risks or particular risks to the entity or public interest matters which would make it inappropriate to consider it a less complex body. The auditor will explain the reasons for the audit approach in the annual audit plan and how that aligns with the principles agreed with the Auditor General and the Accounts Commission and published as guidance under the Code.’

Criteria

23. Auditors should consider both quantitative and qualitative factors in assessing whether a body is less complex. The assessment relies on professional judgement by the auditor to determine whether the limited wider scope audit is appropriate for the nature and circumstances of the body being audited. If the limited wider scope audit is performed using the less complex body arrangements when it is not appropriate, this may result in the auditor not fulfilling their responsibilities under the Code.

24. Auditors should assess whether a body is less complex as part of the planning work each year. Auditors should use their understanding of the entity

obtained through planning work under ISAs (UK) 200 and 315 in their assessment.

25. In accordance with ISA 300, auditors should update and change the assessment as necessary during the course of the audit. If a body was assessed as less complex during the planning stage but subsequent events led to an assessment that the body was not less complex, auditors must amend their approach for that year and carry out a full wider scope audit.

Excluded bodies

26. A body shall not be considered a less complex body if any of the following apply:

- The body is of strategic importance to the Auditor General or Accounts Commission
- The body is a listed entity or Public Interest Entity
- The body is a charity (this exclusion does not apply to section 106 charities)
- The body prepares group financial statements
- The body is a pension fund
- The body requests a full wider scope audit.

Quantitative criteria

27. A body with gross revenue, gross assets and gross liabilities less than £10.2m is likely to be less complex. A body with any of gross revenue, gross assets, or gross liabilities greater than £10.2m is likely to not be less complex. The size criteria may be rebutted based on an assessment of the qualitative criteria for bodies above or below the quantitative threshold.

28. The use of £10.2m is based on the Companies Act's small companies' regime and an assessment of the expenditure of Scottish public sector bodies. Audit Scotland will regularly review the appropriateness of the threshold.

Qualitative criteria

29. Where the auditor identifies any wider scope risks beyond financial sustainability as part of the financial audit planning, or in the course of the audit, the body should not be treated as a less complex body.

30. Where the body has been subject to a statutory report in the previous year it should not be treated as a less complex body unless the scope of the statutory report was not related to wider scope issues.

31. Where the body is subject to significant public scrutiny it should not be treated as a less complex body.

Audit approach

32. The audit of the wider-scope and Best Value in a less complex body may be limited to:

- a review of the Annual Governance Statement (which is normally done as part of the audit of the financial statements and an opinion expressed in the Independent Auditors Report)
- concluding on the financial sustainability of the body and the services that it delivers over the medium to longer term and
- for local government bodies, reporting on the arrangements for securing Best Value. (Paragraphs 75 to 76).

33. The Auditor General and Accounts Commission currently require all audits, including those of less complex bodies, to be carried out under ISAs (UK).

Audit documentation

34. Auditors should document their assessment of whether the body is less complex including the reasoning to support this conclusion with reference to the quantitative and qualitative criteria. Auditors should discuss their provisional assessment with Audit Quality and Appointments if there is any doubt.

35. Auditors should explain that the body is being audited under the less complex body arrangements of the Code in their annual audit plan to ensure that those charged with governance understand the planned scope of audit work. Auditors should confirm in the annual audit report that the audit was completed under the less complex body arrangements.

4. Best Value

36. The Code requires that auditors assess and report on audited bodies' performance in meeting their Best Value and community planning¹ duties, as part of the annual audit.

Paragraph 59

'For local government bodies, the Accounts Commission's approach to Best Value auditing requires auditors to assess and report on audited bodies' performance in meeting their Best Value and community planning duties. Auditors use a risk-based approach and integrate that assessment with the annual audit. Auditors:

- consider, within the wider-scope areas set out in paragraphs 62–70, the Best Value statutory guidance (Appendix 1, page 28), and include the risks they identify in their annual audit plan and report their conclusions
- report progress against findings and recommendations on previous reports on Best Value and subsequent annual audit reports
- report on any Best Value or related themes prescribed by the Accounts Commission in annual planning guidance.

For central government and NHS bodies auditors consider the arrangements put in place by Accountable Officers to meet their Best Value obligations as part of the proportionate and risk-based wider-scope audit work.'

Best Value audit work in councils

37. Best Value audit work is fully integrated with the wider scope annual audit work and results reflected in annual audit reports. The local auditor remuneration element of the audit fee covers all Best Value work: the annual risk-based work, the annual thematic work, and the Controller of Audit reporting. Unless there are exceptional circumstances, separate fees will not be paid to auditors to cover Best Value work.

Annual follow up of Best Value improvement actions in councils

38. Auditors should review the Best Value findings reported in previous Best Value Assurance Reports and annual audit reports to identify outstanding improvement actions for follow up in the current year.

39. Work should be carried out to establish the progress made against the actions. The impact of the improvement actions should also be assessed as part of this work.

¹ Community planning only applies to local government bodies

40. The audit findings should be reported in each year's annual audit report showing progress made against each individual improvement action.

Annual risk based Best Value work in councils

41. Auditors should establish what intelligence and auditor judgements that has been previously reported on each of the seven Best Value themes, in the [Best Value: Revised Statutory Guidance 2020](#).

- 1** Vision and leadership
- 2** Governance and accountability
- 3** Effective use of resources
- 4** Partnerships and collaborative working
- 5** Working with communities
- 6** Sustainability
- 7** Fairness and equality.

42. Sources of audit evidence for this work to be used by auditors include the Best Value findings reported in previous Best Value Assurance Reports, annual audit reports and the 2021/22 Best Value returns completed by the previous auditor. This information should be documented and updated for any more recent audit evidence gathered by the audit team on these areas.

43. Where risks or improvement areas are identified, or where an audit assessment needs to be updated due to intelligence being out of date or incomplete, coverage should be included in audit plans. This work should be risk based and proportionate. It does not all need to be completed in the first year of the audit appointment. It should be prioritised and based on the risks identified. There is no requirement for detailed work on every theme over the term of the audit appointment, but auditors will be expected to have some knowledge on all Best Value themes in all councils.

44. The [Best Value: Revised Statutory Guidance 2020](#) details for each of the themes what a local authority should be able to demonstrate in achieving Best Value. Auditors should use the prompts under the theme headings, 'In achieving Best Value, a local authority will be able to demonstrate the following...' and 'This means that...' to compile audit programmes to cover the Best Value risk areas identified.

45. Audit findings, judgements and improvement actions identified through this work should be reported as appropriate in management reports or/and the annual audit report.

Assessing the effectiveness of performance reporting in councils

46. While work is not required on all Best Value themes, annual audit work is required on service performance and reporting arrangements. As well as the

statutory guidance, the Accounts Commission's Statutory Performance Information Direction also sets out expectations for councils on performance reporting.

47. The Best Value Theme 3 – Effective Use of Resources, includes commentary on performance management arrangements that should be in place to promote the effective use of the local authority's resources. Performance should be systematically measured across all areas of activity, and performance reports should be regularly scrutinised by managers and elected members. The performance management system should address areas of underperformance, identifying the scope for improvement and agreeing remedial action. The guidance says that councils should be able to demonstrate a trend of improvement over time in delivering its strategic priorities. Auditors must assess and report on how effectively each council demonstrates this.

48. It is recognised that in the first year of the audits (2022/23), it may be too early for auditors to reach a conclusion on how effective the reporting processes against the council's new objectives are. The focus of the work should therefore be on the progress made in putting the necessary processes in place to do this. This is useful intelligence to be reported and followed up in future years.

Reporting Service Performance in councils

49. The Best Value Theme 3 – Effective Use of Resources, guidance says that councils should be able to demonstrate a trend of improvement over time in delivering its strategic priorities. It is accepted that councils may decide not to focus resources on maintaining or slowing the rate of decline in services that are not included in their priorities.

50. A core element of the Controller of Audit Best Value reports on each council outlined below will be considering how effectively the council can demonstrate improvement over time. Auditors should therefore be looking for evidence and reporting annually on how effectively the council can demonstrate continuous improvement in how they deliver their priority services.

51. Auditors should report, in annual audit reports, a summary of what the council is reporting on its service performance. This should include:

- the council's assessment of progress against its service priority measures, in the current year and over time
- what the council is reporting on its relative performance in the current year and over time (from the Local Government Benchmarking Framework and other information used locally).

52. Auditors should be looking for councils to demonstrate continuous improvement in how they deliver their priority services. The pace of this improvement is key to how well councils meet their priorities in the future. Depth of improvement is the extent to which services implement improvements across a council. Reflecting on what has been reported in previous years and this year's performance reporting, auditors should report a conclusion on whether or not the council can demonstrate a trend of improvement over time in delivering its priorities.

53. The scale of the annual risk based and follow up Best Value work is expected to be broadly similar to annual Best Value work carried out in the previous audit appointments.

Annual thematic Best Value audit work in councils

54. The Accounts Commission will identify areas of risk where it requires thematic audit work to be carried out in all councils, in addition to the annual Best Value work. Auditors must plan for this work to be integrated with their annual audit.

55. The nature of the thematic work will be determined by the Accounts Commission and included in the annual planning guidance. The reporting expectations for this work will be specified. Audit programmes and support will be provided to auditors carrying out this work.

56. This work will require annual audit input of up to but not exceeding 40 days. The audit fee to cover this work is included in the local auditor's remuneration element of the annual fees.

57. The Accounts Commission will decide on how the national intelligence will be used.

Controller of Audit (CoA) reports on councils

58. No Best Value Assurance Reports will be published from 2022. To provide the Accounts Commission with assurance on Best Value in individual councils, the Code requires a programme of Controller of Audit reports. These reports will be based on annual audit findings reported on Best Value in each council.

Paragraph 87, 2nd bullet

'The Accounts Commission also requires the Controller of Audit to report to the Accounts Commission on each council or Integration Joint Board (IJB) at least once over the five-year audit appointment on the body's performance on its Best Value duty. This enables the Accounts Commission to make findings for improvement where appropriate.'

59. A programme to cover the reporting of at least one Controller of Audit report on Best Value in each council to the Accounts Commission will be discussed with auditors.

60. The Controller of Audit reports will be a covering report accompanied by the council's latest annual audit report. The Controller reports will summarise key Best Value judgements and may include supplementary information where it is considered relevant.

61. The Controller reports will be coordinated and prepared by the Performance Audit and Best Value group staff, but auditors must contribute to their preparation. Auditors will need to provide an up to date judgment on the pace and depth of continuous improvement in the council to be included in the report (see paragraph 52).

62. The auditor's summary of what the council is reporting on its service performance will be used for the Controller's report (paragraph 51). This may be supplemented by audit analysis of national indicators where it is felt appropriate.

63. Auditors must attend and answer questions at the Commission meeting and contribute to publication communications and follow up discussions with councils.

64. The Accounts Commission will consider the report and may report findings, hold a hearing or require additional work. Auditors must follow up the Commission's findings in subsequent annual audits.

65. The audit fee to cover this work is included in the local auditor's remuneration element of the annual audit fees.

Annual Best Value audit in Integration Joint boards

66. Annual Best Value audit work in Integration Joint boards (IJBs) is to be integrated with wider scope annual audit work. Auditors must report on how the IJB demonstrates and reports that it has Best Value arrangements in place, to secure continuous improvement.

67. Auditors are not expected to carry out detailed or separate work on the Best Value themes. Instead, it is acknowledged that audit findings reported on the financial position, financial management, financial sustainability and aspects of the governance arrangements provide assurance on key aspects of the Best Value themes on Governance and Accountability and The Use of Resources.

68. The changes to IJBs anticipated from Parliament's National Care Service plans mean that the Accounts Commission is no longer requiring the Controller of Audit to report to the Commission on each IJB at least once over the five-year audit appointment on the body's performance on its Best Value duty as per the Code paragraph 87 bullet 2.

69. The audit fee to cover all the Best Value work is included in the local auditor's remuneration element of the annual fees. There is an expectation that over the term of the audit appointment this will be an annual average input up to but not exceeding 12 days of local auditor input.

Best Value in other local government bodies

70. Auditors' duty to consider the arrangements to secure Best Value also applies to other bodies that fall within section 106 of the Local Government (Scotland) Act 1973 (the 1973 Act). This includes valuation joint boards, joint committees, and transport partnerships.

71. Auditors should undertake this duty in a way that is proportionate to the size and type of body. Auditors should consider how the body demonstrates that it is meeting its Best Value responsibilities and should report on the body's own arrangements for doing this in the Annual Audit Report. Work undertaken on the wider scope areas will contribute to this consideration. It does not require detailed audit work against the Best Value themes and there are no Controller reports reporting performance against Best Value.

Best Value in sectors other than local government

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

73. Auditors may also carry out specific audit work covering the seven Best Value characteristics set out in the SPFM. The nature and extent of this work will be generally determined by the annual risk assessment carried out by auditors. However, there is an expectation that equalities will be advanced through the audit process, and auditors are advised to carry out work on the Fairness and Equality characteristic at least once during the audit appointment.

Best Value audit in Less Complex Bodies

74. When looking at the body's governance arrangements, auditors must ask how it demonstrates and reports that it has Best Value arrangements in place, to secure continuous improvement. This should be reported in the annual audit report.

75. Auditors are not expected to carry out detailed or separate work on the Best Value themes. Instead, it is acknowledged that audit work undertaken in line with the less complex body approach will be considered sufficient to address Best Value auditing responsibilities in relation to these bodies.

Best Value audit in central government and NHS bodies

76. For Central Government and NHS bodies auditors should consider the arrangements put in place by Accountable Officers to meet their Best Value obligations as part of the wider-scope audit work. Auditors should report findings in annual audit reports as appropriate.

77. The SPFM explains that accountable officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. Auditors should confirm that there are organisational arrangements in place in this regard when planning and reporting on the wider scope areas. [Ministerial guidance to Accountable Officers](#) for public bodies sets out their duty to ensure that arrangements are in place to secure Best Value in public services.

78. Auditors may also carry out specific audit work covering the seven Best Value characteristics set out in the SPFM. The nature and extent of this work will be generally determined by the annual risk assessment carried out by auditors. However, there is an expectation that equalities will be advanced through the audit process, and auditors are advised to carry out work on the Fairness and Equality characteristic at least once during the audit appointment.

Appendix 1: wider scope example questions

Paragraph 59

‘Auditors provide clear judgements and conclusions on the effectiveness and appropriateness of the arrangements in place based on the work that they have done. If there are significant risks, appointed auditors make recommendations for improvement. Annual audit reports include conclusions which are retrospective in nature, comment on progress in implementing previous recommendations and on forward plans within aspects of the wider scope requirements.’

Audit Scotland has prepared the following example issues to consider for each wider scope audit area. These examples are designed to support auditors when carrying out their risk assessment and planning their wider scope audit work. These questions are not meant to be used as a ‘checklist’.

Wider scope area	Background	Issues to consider
Financial management	Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.	<ul style="list-style-type: none"> • Does the body have arrangements to ensure systems of internal control are operating effectively? • Can the body demonstrate the effectiveness of the budgetary control system in communicating accurate and timely financial performance? • Is the quality and timeliness of financial and performance reporting appropriate for the needs of users? • Are reports showing performance against budget accurate and regularly provided to budget holders? • Is it clear why budgets have changed during the year, including how income and expenditure have changed since the budget was set at the beginning of the year? • Is there a clear link between financial information reported in the year and the annual accounts? • Is public money applied in accordance with relevant financial rules?

Wider scope area	Background	Issues to consider
		<ul style="list-style-type: none"> • Are standing financial regulations comprehensive, current, and promoted within the body? • Is financial forecasting an embedded part of financial management and reporting arrangements? • How accurate is financial forecasting? • Is an appropriate approach taken to budget setting, eg priority-based? • Does the body have savings plans in place? • Are savings plans risk assessed and are they regularly monitored to ensure savings are being delivered? • Is management cost and performance information used effectively? Are inter-relationships between the two clear? • Was financial balance achieved? • Are there suitably qualified and experienced officials leading the body's finance team? • Are there sufficient financial skills, capacity, and capability in the body?
Financial sustainability	<p>Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.</p>	<ul style="list-style-type: none"> • How effective are the financial planning systems in identifying and addressing risks to financial sustainability across the medium and longer terms? • Have any short-term financial challenges been identified and addressed through a financial recovery plan? • Is a reserves strategy in place? Is the current level of reserves in line with the strategy? • Has the purpose, extent and future cashflow of reserves been agreed for any earmarked reserve? • Are any planned deficits able to be met from reserves? Is this sustainable? • How appropriate are the arrangements put in place to address any identified funding gaps? Are there plans in place to support how efficiency targets are to be met?

Wider scope area	Background	Issues to consider
		<ul style="list-style-type: none"> • Does the medium to long term financial strategy meet the requirements specified in Exhibit 3 of Scotland's public finances (June 2014), including scenario planning and sensitivity analysis? • Is it clear how planned savings or cost-reduction might affect quality of service delivery or provision of services? • Does the body understand the long-term pressures, including demand pressures, and have these been built into plans and strategies? • Do medium to longer term financial plans include clear links to how capital investment will be used to deliver organisational priorities? • Are the long-term revenue consequences of borrowing and other forms of financing on affordability clearly set out? • Are investment decisions informed by clear business cases? • Is it clear how investments will be funded and how success will be measured? • Are the benefits of investment clearly articulated at the outset and how is success measured? • Does the body undertake post completion reviews of any significant funding or investment decisions?
Vision, Leadership and governance	<p>Vision, Leadership and Governance is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.</p>	<ul style="list-style-type: none"> • Does the body have a clear vision and strategy? • Does the vision and strategy include a clear set of priorities? • Do strategic plans reflect a pace and depth of improvement that will lead to the realisation of the body's priorities and the long-term sustainability of services? • Are strategic priorities set that reflect the needs of communities and individual citizens, and are aligned with the priorities of partners? • Does the body involve local communities, including seldom heard groups, in plans and decision-making?

Wider scope area	Background	Issues to consider
		<ul style="list-style-type: none"> • Does the body provide accessible information about their strategic direction and priorities, local outcomes and improvement plans and how access to information aims to improve outcomes for communities? • Do strategic plans demonstrate a clear approach to improving inequality outcomes? • Is sustainable development reflected in the body's vision and strategic priorities? • Are sustainable development considerations embedded in the body's governance arrangements? Is there evidence that the body updates and refines strategic priorities in response to changing circumstances? • Is there evidence that leaders are adaptive to the changing environment? • Do members and senior managers have a culture of cooperation and working constructively in partnership, informed by a clear understanding of their respective roles and responsibilities and characterised by mutual respect, trust, honesty and openness and by appropriate behaviours? • 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)? • Is there evidence of effective scrutiny, challenge and transparency on decision making and financial and performance reports at governance committees? • Are there clear and effective mechanisms for scrutinising performance that enable the taking of informed decisions and the measuring of impacts and service outcomes? • Is there a corporate approach to continuous improvement, with regular updating and monitoring of improvement plans? • Are appropriate procedures applied consistently to ensure that members and staff comply with relevant codes of conduct and policies? This includes ensuring that appropriate policies on fraud prevention, investigation and whistleblowing are established and implemented.

Wider scope area	Background	Issues to consider
		<ul style="list-style-type: none"> • Does management make effective use of internal audit? • Does the Governance Assurance Statement, or equivalent, reflect key findings from audit, scrutiny, and inspection? • Is it clear what decisions have been made, who made them and the rationale they had? • Do performance reports contain clear objectives, targets, benchmarks, and comparisons? • Is there a flow from corporate plans to performance reports? • In local authority's do members and senior managers ensure accountability and transparency through effective internal and external performance reporting, using robust data to demonstrate continuous improvement in their priority outcome measures?
Use of resources to improve outcomes	<p>Audited bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency, and effectiveness through the use of financial and other resources and reporting performance against outcomes.</p>	<ul style="list-style-type: none"> • Can the body demonstrate that there is a clear link between money spent and outputs and the outcomes delivered? • Are outcomes improving based on the trend within the organisation and relative to pace of change in comparable organisations? • Does the audited body provide information about how services are improving? • Is the pace of improvement appropriate to the risk and challenges facing the body? • Are cost drivers known? • Have alternative models of service delivery been considered? Where they are in place, are they having a positive impact on services? • Is benchmarking carried out to identify areas for improvement? • Are user needs and views included (rather than considered) in the evaluation of service delivery and quality?

Appendix 2: performance reporting in councils example questions

Background	Issues to consider
<p>Auditors should determine and report on the effectiveness of council processes for reporting and scrutiny of performance against its priorities.</p>	<ul style="list-style-type: none"> • Has the council clearly set out what improvement will look like in its priority areas? See the results of the 2022/23 Best Value thematic work which includes coverage of this question. • Have targets been set for service performance which will promote continuous improvement? Targets may be quantitative or qualitative and should be measurable and progress monitored. • Do targets include measures for demonstrating improved outcomes for citizens agreed with partners? • Do reports explain how communities have been engaged with in agreeing outcomes with partners? • Do elected members receive clear and regular reports giving a balanced view of performance, linked to the council priorities and partnership outcomes? • Are variances from expected performance clearly explained and is there evidence of improvement action being taken where performance is not on track? • Does the council use the LGBF effectively to support its self-evaluation and improvement targets? • Are improvement plans in place for areas of under-performance? • How effectively does the council seek and take account of feedback from citizens and service users when reporting on performance and developing improvement plans? • Is the council meeting annual reporting timelines? If not, why not?
<p>Auditors have a statutory responsibility to satisfy themselves that councils have made proper arrangements for public performance reporting (PPRg)</p>	<p>SPI1</p> <ul style="list-style-type: none"> • Does PPRg provide a clear, accessible, and balanced view of the council's service performance against its priorities in the year and over time? • Does PPRg explain how communities have been engaged with in agreeing outcomes with partners? • Does PPRg include comparative analyses with other similar bodies to benchmark, monitor and improve service performance?

SPI2

- Does the PPRg include council assessment of how it is performing against its duty of Best Value, including self assessments and service review activity?
- Have Best Value assessments been scrutinised by elected members and improvement actions identified and monitored?
- Does the PPRg include audit assessments (including those in the annual audit and Best Value Assurance Reports) on the council's performance against its Best Value duty, and how it has responded to these assessments?
- Does the PPRg include council assessments from other scrutiny and inspection bodies, and how it has responded to these assessments?
- Does the council review the accessibility of its PPRg to widen its availability to citizens and diverse communities?
- Does the council invite feedback from service users/communities and use it to improve PPRg? Is there evidence of this changing how performance is reported?

Code of Audit Practice

Supplementary guidance – wider scope audit, less complex bodies and Best Value

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