

# Technical Guidance Note 2020/2(H)

2019/20 Independent Auditor's Report for  
Health Boards



 AUDIT SCOTLAND

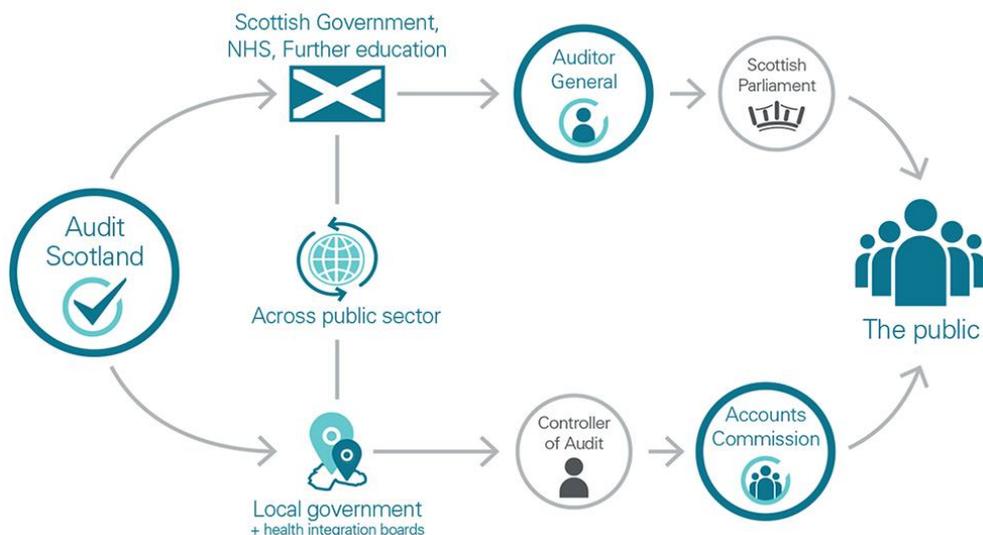
Prepared for appointed auditors in the health sector

24 February 2020

## Who we are

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

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



## About us

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

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

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

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# Introduction

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## Purpose and use of Technical Guidance Note

1. The purpose of this Technical Guidance Note (TGN) from Audit Scotland's Professional Support is to provide external auditors appointed by the Auditor General for Scotland with model Independent Auditor's Reports for the 2019/20 annual report and accounts of health boards.
2. Appointed auditors are required by the Code of Audit Practice to prepare their Independent Auditor's Reports in accordance with this Technical Guidance Note:
3. The model Independent Auditor's Reports set out at Appendices 1 and 2 of this Technical Guidance Note comply with [ISA \(UK\) 700 Forming an Opinion and Reporting on Financial Statements](#). The models are consistent with illustrative examples issued by the Financial Reporting Council but tailored to reflect health sector legislation and augmented by the reporting requirements of the Auditor General.
4. This Technical Guidance Note also provides guidance on the amendments that require to, or may, be made to the wording in the models in the form of auditor actions. Auditors should complete for each report the checklist at Appendix 3 which provides a list of those auditor actions.
5. This Technical Guidance Note also provides an assurance statement for the consolidation schedules at Appendix 4.

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**This TGN provides model Independent Auditor's Reports for health boards**

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## Changes in 2019/20

6. There have been no significant changes to the model Independent Auditor's Reports for 2019/20.
7. Some enhancements have been made to the guidance to make the required auditor actions clearer.

## Enquiries

8. Auditors should contact Professional Support with any enquiries or requests for advice by sending an email to [TechnicalQueries@audit-scotland.gov.uk](mailto:TechnicalQueries@audit-scotland.gov.uk).

# Section 1

## Overview

### Parts of model Independent Auditor's Reports

9. The parts that comprise the model Independent Auditor Reports, and where guidance is provided on each part, are summarised in the following table:

Part of model reports	Guidance
Title	ISA (UK) 700 requires the auditor's report to have a title that clearly indicates that it is the report of an independent auditor. The title 'Independent Auditor's Report' is used as this complies with that requirement and also clearly distinguishes it from other required reports, such as the Annual Audit Report.
Addressees	ISA (UK) 700 also requires the Independent Auditor's Report to be addressed based on the circumstances of the audit appointment. The Independent Auditor's Report is therefore addressed to the members of the health board, the Auditor General for Scotland and the Scottish Parliament.
Report on the audit of the financial statements	<p>This part of the report sets out the financial statements that have been audited and the opinion on them. It also sets out the financial reporting framework which for the avoidance of doubt continues to be in 2019/20 International Financial Reporting Standards adopted by the EU. This part also has paragraphs on:</p> <ul style="list-style-type: none"> <li>• the basis for that opinion, including information on the audit appointment and any non-audit work</li> <li>• conclusions relating to the going concern basis of accounting</li> <li>• risks of material misstatement</li> <li>• responsibilities of the Accountable Officer and auditors for the financial statements, including an explanation of the extent to which the audit is considered capable of detecting irregularities including fraud</li> <li>• other information in the annual report and accounts.</li> </ul> <p>Guidance is provided in section 2 of this Technical Guidance Note.</p>
Report on regularity of expenditure and income	<p>This part sets out the opinion on the regularity of expenditure and income.</p> <p>Guidance is provided in section 3 of this Technical Guidance Note.</p>
Report on other requirements - opinions on matters prescribed by the Auditor General	<p>This part sets out the opinions on the Remuneration and Staff Report, Performance Report and Governance Statement.</p> <p>Guidance is provided in section 4 of this Technical Guidance Note.</p>
Report on other requirements - matters reported by exception	<p>This part sets out the conclusions on matters reported by exception, such as the adequacy of accounting records.</p> <p>Guidance is provided in section 5 of this Technical Guidance Note.</p>

Part of model reports	Guidance
Report on other requirements - wider scope responsibilities	This part highlights that auditors report conclusions on their wider scope responsibilities in the Annual Audit Report.
Use of report	The model reports contain a paragraph to recognise the case of Royal Bank of Scotland v Bannerman Johnstone Maclay, which highlighted potential exposure where auditors have not expressly disclaimed responsibility to third parties.

## Summary of model reports

### Auditor action 1

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

10. Separate model Independent Auditor's Reports have been provided to be used depending on whether a health board has prepared group accounts:

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

Separate model if the board has a group

## Tailoring to local circumstances

### Auditor action 2

Auditors should follow the wording in the relevant model other than where changes are required to reflect local circumstances (e.g. adding the name of the health board, reflecting whether the auditor is a firm or an individual).

11. Auditors should tailor the model wording (as indicated by the square brackets) as summarised in the following table:

Reason for change	Change to model wording
Name of health board	Auditors should insert the name of the health board. This should be consistent with what it calls itself in the annual report and accounts.
To reflect whether appointed auditor is an individual or firm	Where the appointed auditor is a member of Audit Scotland staff, the reports should be presented in the first person singular (e.g. 'I am'). Firms should present the report in the first person plural (e.g. 'We are').
Other amendments	If auditors consider that any other amendments are required to reflect local circumstances, they should contact Professional Support.

## Signing and dating

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

## Auditor action 3

Auditors should:

- sign and date the report on or after the authorised for issue date
- sign the report for and on behalf of the firm (firms only)
- give the full date and postal address.

## Signing

13. Auditors should sign the Independent Auditor's Report as follows:

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

## Dating

14. The date given in the Independent Auditor's Report should be the date on which the appointment lead actually signs the report. The appointment lead should aim to sign the report on the date the annual report and accounts are signed by the Accountable Officer (i.e. the authorised for issue date). Auditors should ensure they give the correct day, month and year of their signature, e.g. 30 June 2020.
15. There may be circumstances where the appointment lead cannot sign the report on the authorised for issue date. Where that is the case, auditors should note the following:
- The appointment lead should not sign the report earlier than the authorised for issue date.
  - Where the appointment lead signs the report on a date later than the authorised for issue date, auditors should:
    - obtain assurance that those charged with governance would have approved the financial statements on that later date (e.g. by obtaining confirmation from the Accountable Officer)
    - ensure that audit procedures for reviewing subsequent events cover the period up to that date.

## Address

16. Auditors should state in the Independent Auditor's Report the full postal address of their office.

## Positioning of the Independent Auditor's Report

### Auditor action 4

**Auditors should satisfy themselves that the Independent Auditor's Report is appropriately positioned within the annual report and accounts.**

17. Paragraph 5.3.29 of the FReM states that the accountability report should include the certificate and report of the Comptroller and Auditor General. This is the equivalent of the Independent Auditor's Report used in Scotland, and therefore the requirement applies in principle.
18. However, auditors should encourage boards to locate the Independent Auditor's Report in such a way that it is clear to users of the accounts that it is not covered by the Accountable Officer's signature on the accountability report.

# Section 2

## Report on the audit of the financial statements

### Opinion on financial statements

#### Auditors' responsibilities

19. The 'Report on the audit of the financial statements' part of the model Independent Auditor's Report is where auditors set out the names of financial statements they have audited and express an opinion on whether those financial statements:
- give a true and fair view of the state of the affairs of the board (and its group) as at 31 March 2020 and of the net expenditure for the year then ended;
  - have been properly prepared in accordance with the financial reporting framework.

#### Titles of financial statements

##### Auditor action 5

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

20. Auditors are required by ISA (UK) 700 to identify the title of each statement that comprises the financial statements. The financial statements listed in the models are based on the requirements of, and titles used by, the [2019/20 NHS Boards Accounts Manual for the Annual Report and Accounts](#) (the accounts manual).
21. In the event that a board uses different titles or includes other statements, auditors should amend the titles of the statements so they precisely match the statements and titles actually used by the board. In previous years, there were a number of instances where the titles used by auditors did not precisely match those used by the body, which makes it difficult for a user of the accounts to clearly understand the statements that have been audited.

**Titles should be consistent with those used by the board**

#### Modified opinion on financial statements

##### Auditor action 6

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

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

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

22. Guidance on risks of misstatements in the financial statements is provided in [Technical Guidance Note 2020/1](#).
23. [ISA 705 \(UK\) Modifications to the Opinion in the Independent Auditor's Report](#) establishes three types of modified opinions, i.e. a qualified opinion, an adverse opinion, and a disclaimer of opinion.
24. There are two forms of qualified opinion. The following table summarises the circumstances in which each form would be appropriate, and the changes which auditors should make to the models in each case:

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

- 25.** Where there is a material misstatement, the description of the matter in the added 'Basis for qualified opinion' paragraph should include:
- either a quantification of the financial effects of the misstatement or a statement that quantification is impracticable (where it relates to specific amounts in the financial statements)
  - where it relates to narrative disclosures in the notes, an explanation of how they are misstated
  - where it relates to the non-disclosure of required information, the nature of the omitted information and, unless impracticable, the omitted disclosures.
- 26.** The other types of modified opinion are when auditors:
- conclude that material misstatements have a pervasive effect on the financial statements (adverse opinion)
  - are unable to obtain sufficient appropriate audit evidence on which to base the opinion, and they conclude that the possible effects on the financial statements of undetected misstatements could be both material and pervasive (disclaimer opinion).
- 27.** Pervasive effects are those that:
- are not confined to specific items
  - represent a substantial proportion of the financial statements; or
  - are fundamental to users' understanding.
- 28.** These types of modified opinion are therefore not expected in practice, but auditors should refer to ISA (UK) 705 for the changes required to the models.

## Information on appointments and non-audit services

### Auditor action 7

#### Auditors should:

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

29. Where indicated in the basis of opinion paragraph, auditors should:

- add the date of their appointment letter and the total period of appointment including any reappointments where indicated in the basis of opinion paragraph
- report any non-audit services which were provided to the board that have not been disclosed elsewhere in the annual report and accounts.

30. The above is based on the requirements in ISA (UK) 700 for public interest entities (PIE). For the avoidance of doubt, although they do not meet the legislative definition for a PIE, the Auditor General has applied these requirements to the audit of all health boards.

## Conclusions relating to going concern basis of accounting

### Auditors' responsibilities

31. ISA (UK) 700 requires auditors to report in accordance with ISA (UK) 570 in respect of going concern. ISA (UK) 570 requires auditors to conclude:

- on the appropriateness of the board's use of the going concern basis of accounting
- whether a material uncertainty exists about the board's ability to continue to adopt the going concern basis of accounting.

### Matter to be reported

### Auditor action 8

**When auditors are considering whether there may be a matter to report in respect of the use of the going concern basis of accounting, auditors should discuss the matter with Professional Support.**

32. Guidance on using the going concern basis of accounting is provided at section 2 of the Overview Module of [Technical Guidance Note 2020/1](#). While a health board may face financial sustainability issues, it is highly unlikely that there will be a material uncertainty regarding the use of the going concern basis of accounting or that it would not be considered appropriate. In evaluating whether this may be the case, auditors should refer to the guidance on applying ISA (UK) 570 in [practice note 10](#).

33. In the rare event of a going concern matter requiring to be reported, instead of the model wording the auditor's reporting options are summarised in the following table:

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

## Responsibilities of auditors

### Explaining capability of detecting irregularities

34. The model reports contain a paragraph that explains the extent to which the audit is considered capable of detecting irregularities, including fraud. Although the guidance in ISA (UK) 700 advises against the wording for this explanation being standardised, this is in a private sector context. Professional Support's view is that the standardised wording in the models is appropriate for health boards due to their generic nature.

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**Standardised wording should be used unchanged**

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## Other information in the annual report and accounts

### Auditors' responsibilities

35. ISA (UK) 700 requires auditors to report in accordance with ISA (UK) 720 in respect of other information in the annual report and accounts. This relates to information other than the financial statements and audited part of the Remuneration and Staff Report.
36. Auditors should evaluate whether there are any material misstatements in the other information in accordance with the guidance provided in modules 11 and 13 of [Technical Guidance Note 2020/1](#)

### Material misstatement to report

#### Auditor action 9

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

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

37. Where auditors conclude that there is an uncorrected material misstatement in the other information, the reporting requirement involves including a statement in the second paragraph of the section of the Independent Auditor's Report on other information that:
- describes the material misstatement; or
  - if the misstatement impacts on the opinions given on the Performance Report or Governance Statement, refers to a basis for qualified opinion paragraph in the section on matters prescribed by the Auditor General for Scotland that describes the material misstatement (guidance on this is provided in section 4).

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# Section 3

## Report on regularity of expenditure and income

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### Auditors' responsibilities

38. The 'Report on regularity of expenditure and income' part of the Independent Auditor's Report is where auditors express an opinion on whether in all material respects, expenditure was incurred and income applied in accordance with applicable enactments and guidance issued by the Scottish Ministers.

### Qualified opinion on regularity

#### Auditor action 10

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

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

- amend the heading and wording of the opinion paragraph
- add a basis for qualified opinion paragraph
- provide a description of the matter giving rise to the qualified opinion.

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39. Auditors should evaluate whether there are any material irregularities in the financial statements in accordance with the guidance provided in Module 9 of [Technical Guidance Note 2020/1](#).
40. If auditors are of the opinion that material expenditure was incurred or income applied that was not in accordance with applicable enactments and guidance issued by the Scottish Ministers, auditors should express a qualified opinion in respect of regularity.
41. Where a qualified opinion on regularity is appropriate, auditors should:
- include a 'Basis for qualified opinion on regularity' paragraph and provide a concise description of the matter giving rise to the qualification
  - amend the opinion heading to 'Qualified opinion on regularity', and include the phrase 'except for the effects of the matter described in the basis for qualified opinion on regularity paragraph' after 'In my opinion'.

# Section 4

## Opinions on matters prescribed by Auditor General

### Auditors' responsibilities

42. Auditors are required by the Auditor General to express opinions on whether:
- the audited part of Remuneration and Staff Report has been properly prepared
  - the Performance Report and Governance Statement are consistent with the financial statements and have been properly prepared.
43. Auditors express these opinions in the 'Opinion on matters prescribed by Auditor General' part of the Independent Auditor's Report.

### Titles of reports

#### Auditor action 11

**Auditors should use the precise titles of the reports used by the health board.**

44. The titles of the reports (i.e. Remuneration and Staff Report, Performance Report and Governance Statement) used in the model reports reflect the titles used by the 2019/20 accounts manual. In the event that a board uses different titles, auditors should amend the references in the Independent Auditor's Report to be consistent.

### Qualified opinion on prescribed matter

#### Auditor action 12

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

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

- amend the heading and wording of the opinion paragraph
  - add a basis for qualified opinion paragraph
  - provide a description of the matter giving rise to the qualified opinion.
45. Guidance on risks of misstatement is provided in Modules 10, 11 and 13 of [Technical Guidance Note 2020/1](#). Any proposed qualified opinion on a prescribed matter should be discussed with Professional Support in advance of finalising the Independent Auditor's Report. Where auditors express a qualified opinion on any of the prescribed matters, they should:
- amend the heading 'Opinion on matters prescribed by the Auditor General for Scotland' to 'Qualified opinion on matters prescribed by the Auditor General for Scotland'
  - add the phrase 'Except for the matter described in the basis for qualified opinion on matters prescribed by the Auditor General for Scotland' section of [my/our] report'
  - add a section under the heading 'Basis for qualified opinion on matters prescribed by the Auditor General for Scotland' and provide a concise description of the matter giving rise to the qualification.
46. Health boards are not required to report compliance with the UK Corporate Governance Code. If a board makes a reference in the Governance Statement to that code, auditors should contact Professional Support as this would trigger additional reporting requirements under ISAs (UK) 701 and 720.

# Section 5

## Matters reported by exception

### Auditors' responsibilities

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

### Accounting records

#### Auditor action 13

Auditors should evaluate and conclude on whether:

- **the board has kept adequate accounting records throughout the year**
- **the financial statements and the audited part of the Remuneration and Staff Report are in agreement with the accounting records.**

50. Accounting records are the records of initial accounting entries and supporting records, such as checks and records of electronic fund transfers; invoices; contracts; the general and subsidiary ledgers, journal entries and other adjustments to the financial statements that are not reflected in formal journal entries; and records such as work sheets and spreadsheets supporting cost allocations, computations, reconciliations and disclosures
51. The accounting records should comprise an orderly, classified collection of information capable of timely retrieval, containing details of the board's transactions, assets and liabilities. The information should be organised so as to enable a trial balance to be constructed. Auditors should consider accounting records to be adequate if they are sufficient to:
- show and explain the board's transactions
  - disclose with reasonable accuracy, at any time during the year, the financial position of the board
  - enable the Accountable Officer to ensure that any accounts required to be prepared comply with statutory requirements.
52. There is a distinction between the accounting records and the accounting control system. If auditors find weaknesses relating to the accounting control system rather than the accounting records, they can still conclude that adequate accounting records have been kept. The weaknesses in the accounting control system, where significant, would be reported in the Governance Statement.

## Required information and explanations

### Auditor action 14

Auditors should evaluate and conclude on whether they have received all the information and explanations required for the audit.

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## Failure to achieve a prescribed financial objective

### Auditor action 15

Auditors should evaluate and conclude on whether the health board has achieved its prescribed financial objectives.

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53. Auditors are required by the Auditor General to report a health board's failure to achieve a prescribed financial objective. The financial objectives for health boards is to ensure that their expenditure remains within the Revenue Resource Limit and Capital Resource Limit, and their cash drawn down remains within a cash limit, set by the Scottish Government. Guidance on financial targets is provided in Module 13 of [Technical Guidance Note 2020/1](#).

## Modified conclusion

### Auditor action 16

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

Where a modified conclusion is appropriate, auditors should:

- amend the conclusion wording in the model reports
  - provide a description of the matter giving rise to the modification.
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54. Where auditors conclude that a modified conclusion is appropriate, they should
- modify the conclusion to 'I/We have the following to report in respect of these matters'
  - provide a concise description of the matter being reported
  - finish with the sentence 'I/We have nothing to report in respect of the other matters'.
55. Where auditors express a modified conclusion in respect of a matter reported by exception, this may also give rise to a modification of the auditor's opinion on the financial statements, e.g. if adequate accounting records have not been maintained and as a result it proves impracticable for the auditor to obtain sufficient appropriate evidence concerning material matters in the financial statements.

# Section 6

## Emphasis of matter/other matter paragraphs

### Auditors' responsibilities

56. [ISA \(UK\) 706](#) deals with 'emphasis of matter' and 'other matter' paragraphs in the Independent Auditor's Report. These may need to be added to the model reports when auditors consider it necessary to draw users' attention to matters that are either fundamental to understanding the financial statements or relevant to understanding the audit.

### Matter to be reported

#### Auditor action 17

When auditors are considering whether it is necessary to draw attention to certain matters under [ISA \(UK\) 706](#), they should discuss the matter with Professional Support.

If auditors conclude that they should draw attention to such matters, they should include an 'emphasis of matter' or 'other matter' paragraph.

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

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

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

# Section 7

## Assurance statement on consolidation templates

### Auditors' responsibilities

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

### Procedures

#### Test procedures

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

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

#### Reporting procedures

**Auditors should complete the assurance statement and submit it along with the consolidation templates to the Scottish Government by 30 June 2020.**

64. Auditors should:
  - complete the assurance statement provided at Appendix 4. If an identified inconsistency is not eliminated, auditors should include a description of the inconsistency in the assurance statement
  - submit by 30 June 2020 the templates and accompanying completed assurance statement by e-mail to [nhsaccounts@gov.scot](mailto:nhsaccounts@gov.scot).

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# Appendix 1

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

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

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

##### Opinion on financial statements

[I/We] have audited the financial statements in the annual report and accounts of [insert name of health board] and its group for the year ended 31 March 2020 under the National Health Service (Scotland) Act 1978. The financial statements comprise the [specify precisely the titles of the financial statements used by the board such as the Consolidated Statement of Financial Position, the Consolidated Statement of Comprehensive Net Expenditure, the Statement of Consolidated Cash Flow, the Statement of Consolidated Changes in Taxpayers' Equity] and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2019/20 Government Financial Reporting Manual (the 2019/20 FReM). In [my/our] opinion the accompanying financial statements:

- give a true and fair view in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers of the state of the affairs of the board and its group as at 31 March 2020 and of the net expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 FReM; and
- have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

##### Basis of opinion

[I/We] conducted [my/our] audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. [My/Our] responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of [my/our] report. [I was/We were] appointed by the Auditor General on [insert date of appointment letter]. The period of total uninterrupted appointment is [insert number] years. [I am/We are] independent of the board and its group in accordance with the ethical requirements that are relevant to [my/our] audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and [I/we] have fulfilled [my/our] other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the board. [List any non-audit services not disclosed elsewhere]. [I/We] believe that the audit evidence [I/we] have obtained is sufficient and appropriate to provide a basis for [my/our] opinion.

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

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

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

## Risks of material misstatement

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

## Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of the Chief Executive's Responsibilities as the Accountable Officer, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

[My/Our] objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes [my/our] opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

## Other information in the annual report and accounts

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration and Staff Report, and [my/our] independent auditor's report. [My/Our] opinion on the financial statements does not cover the other information and [I/we] do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

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

## Report on regularity of expenditure and income

### Opinion on regularity

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

### **Responsibilities for regularity**

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

### **Report on other requirements**

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

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

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

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

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

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

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- [I/we] have not received all the information and explanations [I/we] require for [my/our] audit
- there has been a failure to achieve a prescribed financial objective.

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

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

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

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

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

[Signature]

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

[Full postal address],

[Full date]

# Appendix 2

## Model independent auditor's report – health boards (board-only)

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

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

##### Opinion on financial statements

[I/We] have audited the financial statements in the annual report and accounts of [insert name of health board] for the year ended 31 March 2020 under the National Health Service (Scotland) Act 1978. The financial statements comprise the [specify precisely the titles of the financial statements used by the board such as the Statement of Financial Position, the Statement of Comprehensive Net Expenditure, the Statement of Cash Flow, the Statement of Changes in Taxpayers' Equity] and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2019/20 Government Financial Reporting Manual (the 2019/20 FReM).

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

- give a true and fair view in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers of the state of the board's affairs as at 31 March 2020 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 FReM; and
- have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

##### Basis of opinion

[I/We] conducted [my/our] audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. [My/Our] responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of [my/our] report. [I was/We were] appointed by the Auditor General on [insert date of appointment letter]. The period of total uninterrupted appointment is [insert number] years. [I am/We are] independent of the board in accordance with the ethical requirements that are relevant to [my/our] audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and [I/we] have fulfilled [my/our] other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the board. [List any non-audit services not disclosed elsewhere]. [I/We] believe that the audit evidence [I/we] have obtained is sufficient and appropriate to provide a basis for [my/our] opinion.

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

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

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

## **Risks of material misstatement**

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

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

As explained more fully in the Statement of the Chief Executive's Responsibilities as the Accountable Officer, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

[My/Our] objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes [my/our] opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration and Staff Report, and [my/our] independent auditor's report. [My/Our] opinion on the financial statements does not cover the other information and [I/we] do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

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

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

### **Opinion on regularity**

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

## Responsibilities for regularity

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

## Report on other requirements

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

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

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

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

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

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

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- [I/we] have not received all the information and explanations [I/we] require for [my/our] audit
- there has been a failure to achieve a prescribed financial objective.

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

### Conclusions on wider scope responsibilities

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

## Use of [my/our] report

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

[Signature]

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

[Full postal address]

[Full date]

# Appendix 3

## Auditor action checklist

	Yes/No/N/A	Initials/date	W/P ref
1 Have you used the correct model IAR for the board's circumstances (i.e. group or board-only)?			
2 Have you: <ul style="list-style-type: none"> <li>named the board consistently with what it calls itself?</li> <li>used the correct 'person' (i.e. singular for Audit Scotland staff, plural for firms)?</li> <li>considered whether any other amendments to the model IAR wording are appropriate and discussed proposals with Professional Support?</li> </ul>			
3 Have you ensured that the IAR has been signed: <ul style="list-style-type: none"> <li>by the relevant individual auditor?</li> <li>on the authorised for issue date (or as close as possible thereafter)?</li> <li>'for and on behalf of the firm' (firms only)?</li> </ul>			
4 Have you satisfied yourself that the IAR is appropriately located within the annual report and accounts?			
5 Have you specified precisely the titles of the audited financial statements used by the board?			
6 Have you discussed any proposed modifications to the audit opinion on the financial statements with Professional Support?			
7 Have you: <ul style="list-style-type: none"> <li>added the date of your appointment letter and the total period of appointment?</li> <li>reported any non-audit services not disclosed elsewhere?</li> </ul>			
8 When considering whether there may be a matter to report on using the going concern basis of accounting, have you discussed the matter with Professional Support?			

	Yes/No/N/A	Initials/date	W/P ref
9 Have you discussed any proposed reporting of material misstatements in the other information with Professional Support?			
10 Have you discussed a proposed qualified opinion on regularity with Professional Support?			
11 Have you amended the titles of the other reports to reflect the actual titles used by the board?			
12 Have you discussed a proposed qualified opinion on the audited part of the Remuneration and Staff Report, Performance Report or Governance Statement with Professional Support?			
13 Have you evaluated and concluded on whether: <ul style="list-style-type: none"> <li>the board has kept adequate accounting records throughout the year?</li> <li>the financial statements and the audited part of the Remuneration and Staff Report are in agreement with the accounting records?</li> </ul>			
14 Have you evaluated and concluded on whether you have received all the information and explanations required for the audit?			
15 Have you evaluated and concluded on whether the health board has achieved its prescribed financial objectives?			
16 Have you discussed any proposed modifications to conclusions on a matter reported by exception with Professional Support?			
17 Have you considered whether it is necessary to draw attention to certain matters under ISA (UK) 706?  If there are such matters, have you discussed the proposed paragraph with Professional Support?			

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# Appendix 4

## Assurance statement on consolidation templates

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### **Report by the auditors of [insert name of health board] on the consolidation templates for the financial year 2019/20**

#### **Conclusion**

The consolidation templates, which comprise the [specify the content of the consolidation templates] are derived from the audited annual report and accounts of [insert name of health board] for the year ended 31 March 2020.

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

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

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

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

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

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

[My/Our] responsibility is to report to you [my/our] conclusion as to whether the consolidation templates are consistent with the audited annual report and accounts. [I/We] carried out [my/our] review of the consolidation templates in accordance with the approach set out in Audit Scotland's Technical Guidance Note 2020/2(H).

[Electronic signature of auditor]

[Name of auditor]

[Full postal address]

[Full date]

# Appendix 5

## Auditor action checklist (Consolidation templates)

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

# Technical Guidance Note 2020/2(H) – 2019/20 Independent Auditor’s Reports for Health Boards

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