

Technical Guidance Note 2020/5(LG)

2019/20 Independent Auditor's Report for
Local Government Bodies



 AUDIT SCOTLAND

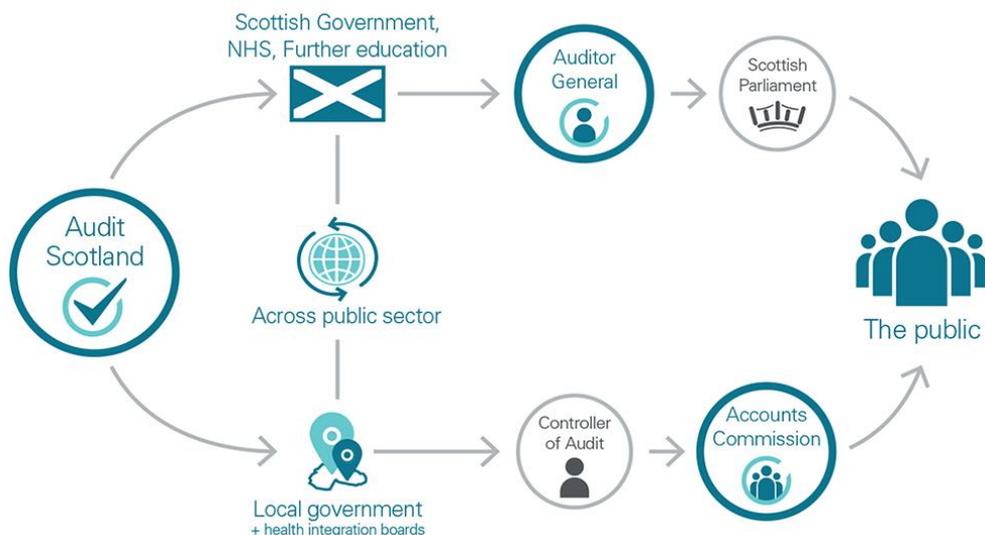
Prepared for appointed auditors in the local government sector

28 May 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.

Contents

Introduction	4
Section 1 Overview	5
Section 2 Report on the audit of the financial statements	9
Section 3 Opinions on matters prescribed by Accounts Commission	13
Section 4 Matters reported by exception	14
Section 5 Emphasis of matter/other matter paragraphs	16
Appendix 1 Councils (with a group)	17
Appendix 2 Aberdeen City Council	20
Appendix 3 Councils (without a group) and section 106 bodies	23
Appendix 4 Local government pension scheme pension funds	26
Appendix 5A Registered section 106 charities (accrued accounts)	29
Appendix 5B Registered section 106 charities (receipts and payments accounts)	32
Appendix 6 Auditor action checklist	34

Introduction

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 Accounts Commission with model Independent Auditor's Reports for the 2019/20 annual accounts of:
 - local government bodies
 - Local Government Pension Scheme pension funds
 - registered charities that fall under section 106(1b) of the Local Government (Scotland) Act 1973 (the 1973 Act).
2. [Section 101\(4\)](#) of the 1973 Act requires auditors to place a certificate on a local government body's annual accounts and for that certificate to be in the form prescribed by the Accounts Commission. Appointed auditors are required by the Code of Audit Practice to prepare their Independent Auditor's Reports (i.e. the certificate) in accordance with this TGN.
3. The model Independent Auditor's Reports set out in the Appendices of this TGN 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 local government legislation and augmented by the reporting requirements of the Accounts Commission.
4. This TGN 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 6 which provides a list of those auditor actions.

This TGN provides model Independent Auditor's Reports for local government bodies

Changes in 2019/20

5. There have been no significant changes to the model Independent Auditor's Reports for 2019/20.
6. Some enhancements have been made to the guidance to make the required auditor actions clearer and to clarify the use of electronic signatures.

Enquiries

7. Auditors should contact Professional Support with any enquiries or requests for advice by sending an email to TechnicalQueries@audit-scotland.gov.uk.

Section 1

Overview

Parts of model Independent Auditor's Reports

8. The parts that comprise the model Independent Auditor Reports for 2019/20, 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 elected members (or trustees for a charity) and the Accounts Commission.
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 (other than for a charity) 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"> • the basis for that opinion, including information on the audit appointment and any non-audit work • conclusions relating to the going concern basis of accounting • risks of material misstatement • responsibilities of the Section 95 proper officer (or trustees), body and auditors for the financial statements, including (other than for charities) an explanation of the extent to which the audit is considered capable of detecting irregularities including fraud • other information in the annual accounts. <p>Guidance is provided in section 2 of this TGN.</p>
Report on other requirements - opinions on matters prescribed by the Accounts Commission	<p>This part sets out the opinions on the Remuneration Report, Management Commentary (or Trustees' Annual Report) and Annual Governance Statement.</p> <p>Guidance is provided in section 3 of this TGN.</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 4 of this TGN.</p>
Report on other requirements - wider scope responsibilities	This part highlights that auditors report conclusions on their wider scope responsibilities in the Annual Audit Report. For the avoidance of doubt, this paragraph applies to all bodies but not to charities.

Part of model reports	Guidance
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 circumstances of the audited body.

9. The model Independent Auditor's Reports set out in the appendices, and the annual accounts to which they apply, are summarised in the following table:

Appendix Applicable accounts

1	The annual accounts of councils constituted under section 2 of the Local Government (Scotland) Act 1994 (except Aberdeen City Council) where group financial statements are prepared
2	The annual accounts of Aberdeen City Council (which is a public interest entity)
3	The annual accounts of (i) councils constituted under section 2 of the 1994 Act where group financial statements are not prepared and (ii) bodies to which section 106(1a) of the 1973 Act applies (e.g. valuation joint boards, joint committees, regional transport partnerships and integration joint boards)
4	The annual accounts of local government pension scheme pension funds administered by councils
5A	The statement of accounts of registered charities that fall under section 106(1b) of the 1973 Act prepared on an accruals basis
5B	The statement of accounts of registered charities that fall under section 106(1b) of the 1973 Act prepared on a receipts and payments basis

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 body, reflecting whether the auditor is a firm or an individual).

10. Auditors should tailor the model wording as summarised in the following table:

Reason for change	Change to model wording
Name of audited body	Auditors should insert the name of the audited body, pension fund or charity. This should be consistent with what it calls itself in the annual accounts (see the following table for cases where more than one fund or charity is covered).

Reason for change	Change to model wording
To reflect whether appointed auditor is an individual or firm	Where the appointment lead 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').
Job title of proper officer	Auditors should insert the job title of the section 95 proper officer as used in the Statement of Responsibilities (e.g. Director of Finance).
Other amendments	If auditors consider that any other amendments are required to reflect local circumstances, they should contact Professional Support.

11. The following table explains the tailoring required when an independent auditor's report covers more than one pension fund or charity:

Position	Change to model wording
More than one pension fund	List the name of each pension fund in the first two references. Replace subsequent references to 'fund' in the model wording with 'funds'.
More than one charity - connected charities provision used	Insert the collective name for all the charities covered in the first two references. Replace subsequent references to 'charity' in the model wording with 'charities'.
More than one charity - connected charities provisions not used	Either: <ul style="list-style-type: none"> List the name of each charity in the document in the first two references; and Replace subsequent references to 'charity' in the model wording with 'charities': or Prepare a separate report for each charity in the same document.

Signature and date

12. ISA (UK) 700 requires Independent Auditor's Reports to be signed and dated, and to 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.**

Signature

13. The Independent Auditor's Report is required to include the signature of the appointment lead. Where a 'wet' signature is not practicable, the appointment lead may sign using electronic means.

14. Appointment leads should sign the Independent Auditor's Report as set out in the following table:

Appointed auditor	Guidance on signing
Director of Audit Services	The appointment lead (i.e. individual delegated by the Director of Audit Services) 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 local government audits.</p>

Dating

15. 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 accounts are signed by the Section 95 proper officer/trustees (i.e. the authorised for issue date). Auditors should ensure they give the correct day, month and year of their signature, e.g. 30 September 2020.
16. 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 proper officer)
 - ensure that audit procedures for reviewing subsequent events cover the period up to that date.

Address

17. 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 accounts.

18. Although there is no specific requirement regarding the positioning of the Independent Auditor's Report, Professional Support considers it to be good practice for it to appear either immediately before or after the financial statements.
19. Auditors are encouraged to discuss this matter with the body and satisfy themselves that their report is positioned within the document so that it is given appropriate, but not undue, prominence.

Section 2

Report on the audit of the financial statements

Opinion on financial statements

Auditors' responsibilities

20. 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 body (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 audited body.

21. Auditors are required by ISA (UK) 700 to identify the title of each statement that comprises the financial statements. Regulation 8(2) of The Local Authority Accounts (Scotland) Regulations 2014 (the accounts regulations) requires the annual accounts of local government bodies to include the financial statements required by proper practices, i.e. the Code of Practice on Local Authority Accounting in the UK (the accounting code). Charities legislation sets out the required financial statements for charities.
22. The financial statements listed in Appendices 1 to 4 are based on the requirements of, and titles used by, the [2019/20 accounting code](#) (and charities legislation for Appendix 5).
23. In the event that a body 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 body. For example, some bodies present information on their trust funds and their Expenditure and Funding Analysis as separate financial statements. Where this is the case, auditors should include them in the list of statements they have audited. Where a body includes the Expenditure and Funding Analysis or information on trust funds as a note, auditors should not specifically refer to them in their report as they are covered by the general reference to 'notes'.
24. 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 body

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.

25. Guidance on risks of misstatements in the financial statements is provided in [Technical Guidance Note 2019/9\(LG\)](#).
26. [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.
27. 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"> • Add 'possible' before 'effects' in the statement added to the 'Qualified opinion on financial statements' paragraph • Include in the 'Basis for qualified opinion' paragraph the reasons for the inability to obtain sufficient appropriate audit evidence

28. 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.
29. 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).
30. 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.
31. 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 (or delegation) letter and the total period of appointment
- report any non-audit services not disclosed elsewhere

32. Where the appointed auditor is the Director of Audit Services, there is a slight wording difference from the firms to reflect arrangements whereby responsibility for signing the Independent Auditor's Report is delegated to another member of staff.
33. Where indicated in the basis of opinion paragraph, auditors should:
- add the date of their appointment (or delegation) 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 body that have not been disclosed elsewhere in the annual accounts.
34. The above is based on the requirements in ISA (UK) 700 for public interest entities (PIE). For the avoidance of doubt, although Aberdeen City Council is the only body that meets the legislative definition for a PIE, the Accounts Commission has applied these requirements to the audit of all local government bodies.

Conclusions relating to going concern basis of accounting

Auditors' responsibilities

35. 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 body's use of the going concern basis of accounting
 - whether a material uncertainty exists about the body'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.

36. Guidance on using the going concern basis of accounting is provided at section 2 of the Overview Module of [Technical Guidance Note 2019/9\(LG\)](#). While a local government body 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](#).
37. A going concern matter is more likely to arise in respect of a charity. 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

- 38.** The model reports (other than for a charity) 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 local government bodies due to their similar nature.

Standardised wording should be used unchanged

Other information in the annual accounts

Auditors' responsibilities

- 39.** ISA (UK) 700 requires auditors to report in accordance with ISA (UK) 720 in respect of other information in the annual accounts. This relates to information other than the financial statements and audited part of the Remuneration Report.
- 40.** Auditors should evaluate whether there are any material misstatements in the other information in accordance with the guidance provided in Module 11 of [Technical Guidance Note 2019/9\(LG\)](#).

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.

- 41.** 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 Management Commentary/Trustees' Annual Report or Annual Governance Statement, refers to a basis for qualified opinion paragraph in the section on matters prescribed by the Accounts Commission that describes the material misstatement (guidance on this is provided in section 3).

Section 3

Opinions on matters prescribed by Accounts Commission

Auditors' responsibilities

42. Auditors are required by the Accounts Commission to express opinions on whether:
- the audited part of Remuneration Report has been properly prepared
 - the Management Commentary (or Trustees' Annual Report) and Annual 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 Accounts Commission' part of the Independent Auditor's Report.

Titles of reports

Auditor action 10

Auditors should use the precise titles of the reports used by the audited body.

44. The titles of the reports (i.e. Remuneration Report, Management Commentary [or Trustees' Annual report] and Annual Governance Statement) used in the model reports reflect the titles used by the 2014 Regulations. In the event that a body uses different titles, auditors should amend the references in the Independent Auditor's Report to be consistent.

Qualified opinion on prescribed matter

Auditor action 11

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 and 11 of [Technical Guidance Note 2019/9\(LG\)](#). 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 Accounts Commission' to 'Qualified opinion on matters prescribed by the Accounts Commission'
 - add the phrase 'Except for the matter described in the basis for qualified opinion on matters prescribed by the Accounts Commission ' section of [my/our] report'
 - add a section under the heading 'Basis for qualified opinion on matters prescribed by the Accounts Commission' and provide a concise description of the matter giving rise to the qualification.
46. Local government bodies are not required to report compliance with the UK Corporate Governance Code. If a body makes a reference in the Annual Governance Statement to that code, auditors should contact Professional Support as this would trigger additional reporting requirements under ISAs (UK) 701 and 720.

Section 4

Matters reported by exception

Auditors' responsibilities

47. The Accounts Commission requires auditors of local government bodies to report by exception if:
- adequate accounting records have not been kept
 - the financial statements or the audited part of the Remuneration 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 12

Auditors should evaluate and conclude on whether:

- the body has kept adequate accounting records throughout the year
- the financial statements and the audited part of the Remuneration 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 body'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 body's transactions
 - disclose with reasonable accuracy, at any time during the year, the financial position of the body
 - enable the Section 95 proper officer (or trustees) 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 Annual Governance Statement.

Required information and explanations

Auditor action 13

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

Failure to achieve a prescribed financial objective

Auditor action 14

Auditors should evaluate and conclude on whether any significant trading operation has failed to break even.

53. Auditors are required by the Accounts Commission to report a local government body's failure to achieve a prescribed financial objective.
54. The only prescribed financial objective relates to the requirement for a significant trading operation to break even over a three-year period. Auditors are therefore required to report any failure of a significant trading operation to break even over the three-year period 2017/18 to 2019/20 in their Independent Auditor's Report as a failure to achieve a prescribed financial objective. Module 9 (section 10) of [Technical Guidance Note 2019/9\(LG\)](#) provides guidance for auditors.
55. Where a body does not have any significant trading operations, the reference in the model Independent Auditor's Report may be removed.

Modified conclusion

Auditor action 15

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.
-

56. 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'.
57. 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 5

Emphasis of matter/other matter paragraphs

Auditors' responsibilities

58. [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 16

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.

59. 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 Independent 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 body's financial position.	Indicate that the auditor's opinion on the financial statements is not modified in respect of the matter emphasised.
	A material uncertainty declared by a valuer in their report	

60. 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.

Appendix 1

Councils (with a group)

Independent auditor's report to the members of [insert name of council] and the Accounts Commission

Report on the audit of the financial statements

Opinion on financial statements

[I/We] certify that [I/we] have audited the financial statements in the annual accounts of [insert name of council] and its group for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the [specify precisely the titles of the financial statements used by the council such as the group and council-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash-Flow Statements, the council-only Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Council Tax Income Account, and the Non-domestic Rate Account, and any other disclosures presented as financial statements] 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 Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the 2019/20 Code).

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

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of affairs of the council and its group as at 31 March 2020 and of the income and expenditure of the council and its group 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 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for 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 Accounts Commission 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 [under arrangements approved (ASG only)] by the Accounts Commission on [insert date of appointment/delegation letter]. The period of total uninterrupted appointment is [insert number] years. [I am/We are] independent of the council 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 council. [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 [insert job title of proper officer] has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the council's 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] report in a separate Annual Audit Report, 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 [insert job title of proper officer] and [council or name of audit committee] for the financial statements

As explained more fully in the Statement of Responsibilities, the [insert job title of proper 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 [insert job title of proper 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 [insert job title of proper officer] is responsible for assessing the council'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.

The [council/name of audit committee] is responsible for overseeing the financial reporting process.

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. This description forms part of [my/our] auditor's report.

Other information in the annual accounts

The [insert job title of proper officer] is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and [my/our] auditor's report thereon. [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 Accounts Commission 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 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 other requirements

Opinions on matters prescribed by the Accounts Commission

In [my/our] opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

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

- the information given in the Management Commentary 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 statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual 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 Delivering Good Governance in Local Government: Framework (2016).

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

[I am/We are] required by the Accounts Commission 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 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; or
- 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 accounts, [my/our] conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, 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 Part VII of the Local Government (Scotland) Act 1973 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 appointment lead], (for and on behalf of [name of firm] - firms only)

[Full postal address]

[Full date]

Appendix 2

Aberdeen City Council

Independent auditor's report to the members of Aberdeen City Council and the Accounts Commission

Report on the audit of the financial statements

Opinion on financial statements

We certify that we have audited the financial statements in the annual accounts of Aberdeen City Council and its group for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the [specify precisely the titles of the financial statements used by the council such as the group and council-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash-Flow Statements, the council-only Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Council Tax Income Account, and the Non-domestic Rate Account, and any other disclosures presented as financial statements] 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 Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the 2019/20 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of the affairs of the council and its group as at 31 March 2020 and of the income and 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 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

We conducted 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 Accounts Commission for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Accounts Commission on 31 May 2016. The period of total uninterrupted appointment of the firm is three years. We are independent of the council and its group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. [List any non-audit services not disclosed elsewhere]. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Audit, Risk and Scrutiny Committee.

Conclusions relating to going concern basis of accounting

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require 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 Director of Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the council's 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the audit team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

[Description of each key audit matter in accordance with ISA (UK) 701.]

Our application of materiality and overview of the scope of our audit

[Explanation of how the auditor applied the concept of materiality in planning and performing the audit. This is required to include the threshold used by the auditor as being materiality for the financial statements as a whole but may include other relevant disclosures. Overview of the scope of the audit, including an explanation of how the scope addressed each key audit matter and was influenced by the auditor's application of materiality.]

Responsibilities of the Director of Resources and Audit, Risk and Scrutiny Committee for the financial statements

As explained more fully in the Statement of Responsibilities, the Director of Resources 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 Director of Resources 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 Director of Resources is responsible for assessing the council'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.

The Audit, Risk and Scrutiny Committee is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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 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 skillfulness 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. We therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud. *[Insert further explanation of the extent to which the audit is capable of detecting irregularities].*

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. This description forms part of our auditor's report.

Other information in the annual accounts

The Director of Resources is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

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

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

In our opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary 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 statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual 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 Delivering Good Governance in Local Government: Framework (2016).

Matters on which we are required to report by exception

We are required by the Accounts Commission to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to our responsibilities for the annual accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, [are/will be] set out in 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 Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

[Signature]

[Name of appointment lead], for and on behalf of KPMG LLP

[Full postal address]

[Full date]

Appendix 3

Councils (without a group) and section 106 bodies

Independent auditor's report to the members of [insert name of council/body] and the Accounts Commission

Report on the audit of the financial statements

Opinion on financial statements

[I/We] certify that [I/we] have audited the financial statements in the annual accounts of [insert name of council/body] for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the [specify precisely the titles of the financial statements used by the council/body such as the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, Cash-Flow Statement, Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Council Tax Income Account, and the Non-domestic Rate Account, and any other disclosures presented as financial statements] 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 Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the 2019/20 Code).

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

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of affairs of the [council/body] as at 31 March 2020 and of its income and 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 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for 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 Accounts Commission 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 [under arrangements approved (ASG only)] by the Accounts Commission on [insert date of appointment/delegation letter]. The period of total uninterrupted appointment is [insert number] years. [I am/We are] independent of the [council/body] 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 [council/body]. [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 [insert job title of proper officer] has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about [the council's/body's] 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] report in a separate Annual Audit Report, 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 [insert job title of proper officer] and [council/board/name of audit committee] for the financial statements

As explained more fully in the Statement of Responsibilities, the [insert job title of proper 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 [insert job title of proper 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 [insert job title of proper officer] is responsible for assessing the [council's/body'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.

The [council/board/name of audit committee] is responsible for overseeing the financial reporting process.

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. This description forms part of [my/our] auditor's report.

Other information in the annual accounts

The [insert job title of proper officer] is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and [my/our] auditor's report thereon. [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 Accounts Commission 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 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 other requirements

Opinions on matters prescribed by the Accounts Commission

In [my/our] opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

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

- the information given in the Management Commentary 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 statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual 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 Delivering Good Governance in Local Government: Framework (2016).

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

[I am/We are] required by the Accounts Commission 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 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; or
- there has been a failure to achieve a prescribed financial objective - delete if not applicable].

[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 accounts, [my/our] conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, 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 Part VII of the Local Government (Scotland) Act 1973 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 appointment lead], (for and on behalf of [name of firm] - firms only)

[Full postal address]

[Full date]

Appendix 4

Local government pension scheme pension funds

Independent auditor's report to the members of [insert name of council] as administering authority for [insert name of pension fund/each pension fund] and the Accounts Commission

Report on the audit of the financial statements

Opinion on financial statements

[I/We] certify that [I/we] have audited the financial statements in the annual report of [insert name of each pension fund] (the [fund/funds]) for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the [specify precisely the titles of the financial statements used by the council such as the Fund Account(s), the Net Assets Statement(s)] 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 Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the 2019/20 Code).

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

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the financial transactions of the [fund/funds] during the year ended 31 March 2020 and of the amount and disposition at that date of [its/their] assets and liabilities;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for 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 Accounts Commission 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 [under arrangements approved (ASG only)] by the Accounts Commission on [insert date of appointment/delegation letter]. The period of total uninterrupted appointment is [insert number] years. [I am/We are] independent of the [fund/funds] 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 council. [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 [insert job title of proper officer] has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about [the fund's/funds'] 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] report in a separate Annual Audit Report, 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 [insert job title of proper officer] and [council/name of committee] for the financial statements

As explained more fully in the Statement of Responsibilities, the [insert job title of proper 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 [insert job title of proper 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 [insert job title of proper officer] is responsible for assessing the [fund's/funds'] 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.

The [council/name of committee] is responsible for overseeing the financial reporting process.

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.

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. This description forms part of [my/our] auditor's report.

Other information in the annual report

The [insert job title of proper officer] is responsible for the other information in the annual report. The other information comprises the information other than the financial statements and [my/our] auditor's report thereon. [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 Accounts Commission 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, 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 other requirements

Opinions on matters prescribed by the Accounts Commission

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

- the information given in the Management Commentary 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 statutory guidance issued under the Local Government in Scotland Act 2003;
- the information given in the Annual 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 Delivering Good Governance in Local Government: Framework (2016); and
- the information given in the Governance Compliance 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 Local Government Pension Scheme (Scotland) Regulations 2018.

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

[I am/We are] required by the Accounts Commission to report to you if, in [my/our] opinion:

- adequate accounting records have not been kept; or
- the financial statements 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.

[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 accounts, [my/our] conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, 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 Part VII of the Local Government (Scotland) Act 1973 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 appointment lead], (for and on behalf of [name of firm] - firms only)

[Full postal address]

[Full date]

Appendix 5A

Registered section 106 charities (accrued accounts)

Independent auditor's report to the trustees of [insert name of charity/collective name of connected charities] and the Accounts Commission

Report on the audit of the financial statements

Opinion on financial statements

[I/We] certify that [I/we] have audited the financial statements in the statement of accounts of [insert name of charity/collective name of connected charities] for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the [specify precisely the titles of the financial statements used by the council for the charity such as the Statement of Financial Activities, the Balance Sheet] 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 the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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

- give a true and fair view of the state of affairs of the [charity/charities] as at 31 March 2020 and of [its/their] incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis for 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 Accounts Commission 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 am/We are] independent of the [charity/charities] 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. [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 trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about ability of the [charity/charities] 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.

Responsibilities of the trustees for the financial statements

[As explained more fully in the Statement of Responsibilities - delete if no such statement included], the trustees are 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 trustees determine 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 trustees are responsible for assessing the [charity's/charities'] 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.

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. This description forms part of [my/our] auditor's report.

Other information in the statement of accounts

The trustees are responsible for the other information in the statement of accounts. The other information comprises the information other than the financial statements and [my/our] auditor's report thereon. [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 Accounts Commission or required by applicable law 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 statement of 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 other requirements

Opinion on matter prescribed by the Accounts Commission

In [my/our] opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual 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 Charities SORP (FRS 102).

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

[I am/We are] required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in [my/our] opinion:

- proper accounting records have not been kept; or
- the financial statements 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.

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

Use of [my/our] report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 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 appointment lead], (for and on behalf of [name of firm] - firms only)

[Full postal address]

[Full date]

[Insert name of appointment lead (Audit Scotland) or firm] is eligible to act as an auditor in terms of [insert either section 1212 of the Companies Act 2006 (for applicable firms)/Part VII of the Local Government (Scotland) Act 1973 (for Audit Scotland staff and firms where auditor is not eligible under the Companies Act)]

Appendix 5B

Registered section 106 charities (receipts and payments accounts)

Independent auditor's report to the trustees of [insert name of charity/collective name of connected charities] and the Accounts Commission

Report on the audit of the financial statements

Opinion on financial statements

[I/We] certify that [I/we] have audited the financial statements in the statement of accounts of [insert name of charity/collective name of connected charities] for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the [specify precisely the titles of the financial statements used by the council for the charity such as the Statement of Receipts and Payments, the Statement of Balances] 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 a receipts and payments basis.

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

- properly present the receipts and payments of the [charity/charities] for the year ended 31 March 2020 and [its/their] statement of balances at that date; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulations 9(1),(2) and (3) of The Charities Accounts (Scotland) Regulations 2006.

Basis for 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 Accounts Commission 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 am/We are] independent of the [charity/charities] 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. [I/We] believe that the audit evidence [I/we] have obtained is sufficient and appropriate to provide a basis for [my/our] opinion.

Responsibilities of the trustees for the financial statements

[As explained more fully in the Statement of Responsibilities - delete if no such statement included], the trustees are responsible for the preparation of financial statements which properly present the receipts and payments of the [charity/charities], and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

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. This description forms part of [my/our] auditor's report.

Other information in the statement of accounts

The trustees are responsible for the other information in the statement of accounts. The other information comprises the information other than the financial statements and [my/our] auditor's report thereon. [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 Accounts Commission or required by applicable law 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 statement of 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 other requirements

Opinion on matter prescribed by the Accounts Commission

In [my/our] opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual 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 Charities Accounts (Scotland) Regulations 2006.

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

[I am/We are] required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in [my/our] opinion:

- proper accounting records have not been kept; or
- the financial statements 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.

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

Use of [my/our] report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 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 appointment lead], (for and on behalf of [name of firm] - firms only)

[Full postal address]

[Full date]

[Insert name of appointment lead (Audit Scotland) or firm] is eligible to act as an auditor in terms of [insert either section 1212 of the Companies Act 2006 (for applicable firms)/Part VII of the Local Government (Scotland) Act 1973 (for Audit Scotland staff and firms where auditor is not eligible under the Companies Act)]

Appendix 6

Auditor action checklist

	Yes/No/N/A	Initials/date	W/P ref
1 Have you used the correct model IAR for the circumstances of the audited body?			
2 Have you: <ul style="list-style-type: none"> named the body consistently with what it calls itself? used the correct 'person' (i.e. singular for Audit Scotland staff, plural for firms)? added the job title of the Section 95 proper officer? considered whether any other amendments to the model IAR wording are appropriate and discussed proposals with Professional Support? 			
3 Have you ensured that the IAR has been signed: <ul style="list-style-type: none"> by the appointment lead? on the authorised for issue date (or as close as possible thereafter)? 'for and on behalf of the firm' (firms only)? 			
4 Have you satisfied yourself that the IAR is appropriately positioned within the annual accounts?			
5 Have you specified precisely the titles of the audited financial statements used by the body?			
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"> added the date of your appointment (or delegation) letter and the total period of appointment? reported any non-audit services not disclosed elsewhere? 			
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 amended the titles of the other reports to reflect the actual titles used by the body?			
11 Have you discussed a proposed qualified opinion on the audited part of the Remuneration Report, Management Commentary or Annual Governance Statement with Professional Support?			
12 Have you evaluated and concluded on whether: <ul style="list-style-type: none"> the body has kept adequate accounting records throughout the year? the financial statements and the audited part of the Remuneration Report are in agreement with the accounting records? 			
13 Have you evaluated and concluded on whether you have received all the information and explanations required for the audit?			
14 Have you evaluated and concluded on whether any significant trading operation has failed to break even?			
15 Have you discussed any proposed modifications to conclusions on a matter reported by exception with Professional Support?			
16 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?			

Technical Guidance Note 2020/5(LG) – 2019/20 Independent Auditor’s Reports for Local Government Bodies

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