

# Technical Guidance Note 2021/5(LG)

2020/21 Independent Auditor's Report for  
Local Government Bodies



 AUDIT SCOTLAND

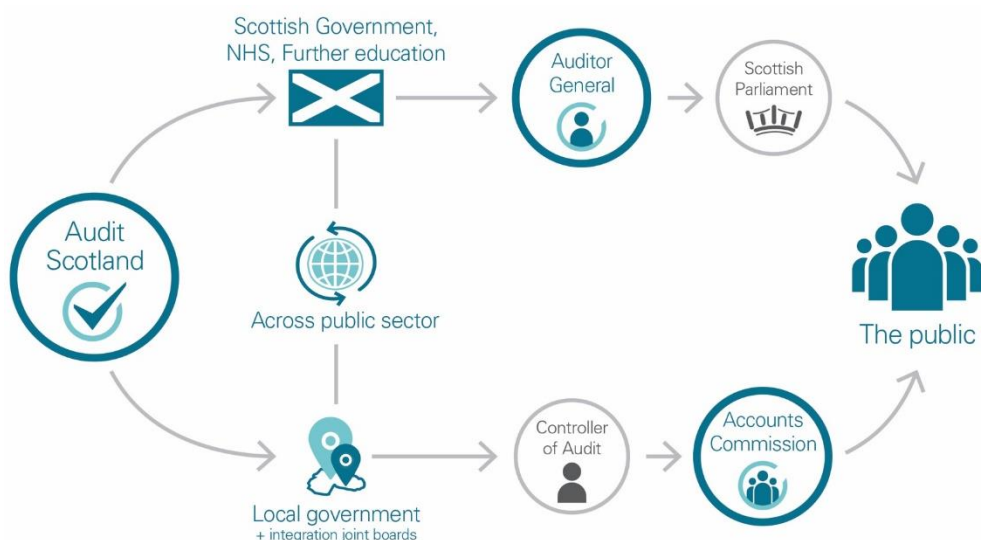
Prepared for appointed auditors in the local government sector

15 April 2021

## 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

---

<b>Introduction</b>	<b>4</b>
<b>Section 1</b> Overview	<b>5</b>
<b>Section 2</b> Reporting on the audit of the financial statements	<b>9</b>
<b>Section 3</b> Opinion on Remuneration Report	<b>13</b>
<b>Section 4</b> Reporting on Statutory Other Information	<b>14</b>
<b>Section 5</b> Matters reported by exception	<b>16</b>
<b>Section 6</b> Emphasis of Matter/Other Matter paragraphs	<b>18</b>
<b>Appendix 1</b> Councils (with a group)	<b>20</b>
<b>Appendix 2</b> Aberdeen City Council	<b>23</b>
<b>Appendix 3</b> Councils (without a group) and section 106 bodies	<b>27</b>
<b>Appendix 4</b> Local government pension scheme pension funds	<b>30</b>
<b>Appendix 5A</b> Registered section 106 charities (accrued accounts)	<b>33</b>
<b>Appendix 5B</b> Registered section 106 charities (receipts and payments accounts)	<b>36</b>
<b>Appendix 6</b> Auditor action checklist	<b>39</b>

---

# 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 (IARs) for the 2020/21 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 IARs (i.e. the certificate) in accordance with this TGN.
3. The model IARs set out Appendices 1 to 5 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. It is important that auditors discuss any modifications or additions to the model IAR with Professional Support.

---

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

---

## Changes in 2020/21

5. A revised version of ISA (UK) 700, as well as [570](#) and [720](#), apply in 2020/21. There are the following consequent changes in all the model IARs:
  - The assurance on the going concern basis of accounting is now in the form of a positive statement (rather than a matter reported by exception).
  - The explanation of the extent to which the audit is considered capable of detecting irregularities has been revised to give greater focus to non-compliance with laws and regulations and added to the model IARs for section 106 charities.
  - The opinions on the Remuneration Report and Statutory Other Information are now in separate parts of the model IARs, with the description of the auditor's responsibilities for Statutory Other information clarified and moved to the latter part.
6. There are also changes in the guidance to:
  - highlight the requirement to discuss any modifications or additions to the model IAR with Professional Support, including any Emphasis of Matter paragraph
  - specify the wording to be used where auditors judge an Emphasis of Matter paragraph is appropriate where the declaration of a 'material valuation uncertainty' has been disclosed.

## Enquiries

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

# Section 1

## Overview

### Parts of model IAR

8. The parts that comprise the model IARs for 2020/21, 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 2020/21 International Financial Reporting Standards adopted by the EU. This part also has paragraphs on:</p> <ul style="list-style-type: none"> <li>• the basis for that opinion, including information on the audit appointment and any non-audit work</li> <li>• conclusions relating to the going concern basis of accounting</li> <li>• risks of material misstatement</li> <li>• responsibilities of the Section 95 proper officer (or trustees), body and auditors for the financial statements, including an explanation of the extent to which the audit is considered capable of detecting irregularities including fraud.</li> </ul> <p>Guidance is provided in section 2 of this TGN.</p>
Report on other requirements – Remuneration Report	<p>This part sets out the opinion on the audited part of the Remuneration Report.</p> <p>Guidance is provided in section 3 of this TGN.</p>
Report on other requirements – Statutory Other Information	<p>This part sets out reporting on Statutory Other Information, including the opinions on the Management Commentary (or Trustees' Annual Report) and Annual Governance Statement.</p> <p>Guidance is provided in section 4 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 5 of this TGN.</p>

Part of model reports	Guidance
Report on other requirements - wider scope responsibilities	This part highlights that auditors report conclusions on their wider scope responsibilities in the Annual Audit Report. For the avoidance of doubt, this paragraph applies to all bodies except for charities.
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.

## Model IAR options

### Auditor action 1

**Auditors should use the correct model IAR that applies to the circumstances of the audited body.**

9. The model IARs 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 IAR 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. For example, this may be the case where a body discloses additional reports outwith the Statutory Other Information

**11.** The following table explains the tailoring required when an IAR 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"> <li>List the name of each charity in the document in the first two references; and</li> <li>Replace subsequent references to 'charity' in the model wording with 'charities': or</li> </ul> Prepare a separate report for each charity in the same document.

## Signature and date

**12.** ISA (UK) 700 requires IARs 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 IAR is required to include the signature of the appointment lead. Auditors are encouraged to use a qualified electronic signature as explained in the [guidance on planning 2020/21 audits](#). Appointment leads should sign the IAR 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

14. The date given in the IAR 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 November 2021.
15. There may be circumstances where the appointment lead cannot sign the IAR on the authorised for issue date. Where that is the case, auditors should note the following:
  - The appointment lead should not sign the IAR earlier than the authorised for issue date.
  - Where the appointment lead signs the IAR 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

16. Auditors should state in the IAR the full postal address of their office.

## Positioning of the IAR

### Auditor action 4

**Auditors should satisfy themselves that the IAR is appropriately positioned within the annual accounts.**

17. Although there is no specific requirement regarding the positioning of the IAR, Professional Support considers it to be good practice for it to appear either immediately before or after the financial statements.
18. 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

## Reporting on the audit of the financial statements

### Opinion on financial statements

#### Auditors' responsibilities

19. The 'Reporting on the audit of the financial statements' part of the model IAR 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 affairs of the body (and its group) as at 31 March 2021 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.**

20. 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.
21. The financial statements listed in Appendices 1 to 4 are based on the requirements of, and titles used by, the [2020/21 accounting code](#) (and charities legislation for Appendix 5).
22. 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'.
23. 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 for opinion paragraphs
- include a description of the matter giving rise to the modification.

24. Guidance on risks of misstatements in the financial statements is provided in [TGN 2020/8\(LG\)](#).
25. If auditors conclude that there is (or could be) an uncorrected material misstatement in the financial statements, they should express a modified opinion in accordance with [ISA 705 \(UK\) Modifications to the Opinion in the Independent Auditor's Report](#). ISA (UK) 705 establishes three types of modified opinions, i.e. a qualified opinion, an adverse opinion, and a disclaimer of opinion.
26. 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:

Form of qualified opinion	Appropriate when	Nature of amendments to model IARs	
		Unqualified	Qualified
Material misstatement	Auditors conclude that misstatements are material (but not pervasive) to the financial statements	Heading 'Opinion on financial statements'	Amend to 'Qualified opinion on financial statements'
		Phrase in second paragraph under heading above 'In [my/our] opinion the accompanying financial statements'	Amend to 'In [my/our] opinion, except for the effects of the matter described in the basis for qualified opinion paragraph, the accompanying financial statements'
		Heading 'Basis for opinion'	Amend to 'Basis for qualified opinion'
		Last sentence in the paragraph under the 'Basis for (qualified) opinion' heading	Add 'qualified' before 'opinion'
		Basis for (qualified) opinion	Add a new paragraph under the heading giving a description of the matter giving rise to the qualified opinion (see below)
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	The changes are the same as for a 'material misstatement' qualified opinion, with the following additions: <ul style="list-style-type: none"> <li>• Add 'possible' before 'effects' in the statement added to the 'Qualified opinion on financial statements' paragraph</li> <li>• Include in the 'Basis for qualified opinion' paragraph the reasons for the inability to obtain sufficient appropriate audit evidence</li> </ul>	

27. Where there is a material misstatement, the description of the matter in the added 'Basis for qualified opinion' paragraph should include the information set out in the following table depending on whether it relates to amounts, narrative or non-disclosure:

Qualified opinion relates to	Required information
Specific amounts in the financial statements	Quantification of the financial effects of the misstatement (or a statement that quantification is impracticable)

Qualified opinion relates to	Required information
Narrative disclosures in the notes	Explanation of how the notes are misstated
Non-disclosure of required information,	Nature of the omitted information and (unless impracticable) the omitted disclosures

28. The other types of modified opinion are not expected in practice but are briefly summarised in the following table for completeness:

Type	Appropriate when
Adverse opinion	Auditors conclude that material misstatements have a pervasive effect on the financial statements
Disclaimer of opinion	Auditors 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

29. 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.

30. Auditors should discuss the subject matter of the qualified opinion, and share the proposed amendments to the model report, with Professional Support.

## Information on appointments and non-audit services

### Auditor action 7

**Auditors should in the basis for opinion paragraph:**

- **add the date of their appointment (or delegation) letter and the total period of appointment**
- **report any non-audit services not disclosed elsewhere**

31. 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 IAR is delegated to another member of staff.

32. Where indicated in the basis for opinion paragraph, auditors should:

- add the date of their appointment (or delegation) letter and the total period of appointment to date
- report any non-audit services which were provided to the body that have not been disclosed elsewhere in the annual accounts.

33. 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

34. 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.

35. Guidance on using the going concern basis of accounting is provided at section 2 of the Overview Module of [TGN 2020/8\(LG\)](#). 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.
36. 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, after discussion with Professional Support, 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 Change the heading to '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

37. The model IARs 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.
38. The model wording in the paragraph has been revised in 2020/21 in light of new application guidance in ISA (UK) 700. It has been amended to give greater focus to non-compliance with laws and regulations.

Standardised  
wording should  
be used  
unchanged

# Section 3

## Opinion on Remuneration Report

### Auditors' responsibilities

39. Auditors are required by the Accounts Commission to express an opinion on whether the audited part of the Remuneration Report has been properly prepared. The model IAR has been revised in 2020/21 so that auditors express this opinion separate from Statutory Other Information (see section 4).

### Titles of report

#### Auditor action 9

Auditors should use the precise title of the report used by the audited body.

40. The title of the report (i.e. Remuneration Report) used in the model IARs reflect the title used by the accounts regulations. In the event that a body uses a different title, auditors should amend the references in the IAR to be consistent.

### Qualified opinion on Remuneration Report

#### Auditor action 10

When auditors are considering qualifying their opinion on the Remuneration Report, 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.

41. Auditors should evaluate whether there are any material misstatements in the Remuneration Report in accordance with the guidance provided in Module 10 of [TGN 2020/8\(LG\)](#). If auditors conclude that there is an uncorrected material misstatement, they should express a qualified opinion. Auditors should amend the model IAR as set out in the following table:

Action	Nature of amendment
Amend heading 'Opinion prescribed by the Accounts Commission on audited part of the Remuneration Report' heading	Amend to 'Qualified opinion prescribed by the Accounts Commission on audited part of the Remuneration Report'
Amend 'In [my/our] opinion, the audited part of the Remuneration Report'	Amend to 'In [my/our] opinion, except for the effects of the matter described in the basis for qualified opinion paragraph, the Remuneration Report'
Add new heading	Add a 'Basis for qualified opinion on the Remuneration Report' heading under the opinion paragraph
Add a paragraph describing the matter	Provide a concise description of the matter giving rise to the qualified opinion in a paragraph under the basis for qualified opinion heading

42. Auditors should discuss the subject matter of the qualified opinion, and share the proposed amendments to the model IAR, with Professional Support.

---

# Section 4

## Reporting on Statutory Other Information

---

### Auditors' responsibilities

43. ISA (UK) 700 requires auditors to report in accordance with ISA (UK) 720 in respect of Statutory Other Information in the annual report and accounts. In a local government body, Statutory Other Information comprises the items required by Regulation 8(2) of the accounts regulations which are not audited (i.e. the Management Commentary, Annual Governance Statement, Statement of Responsibilities and unaudited part of the Remuneration Report).
44. ISA (UK) 720 requires auditors to report:
- either a description of any material misstatements in the Statutory Other Information or a statement that there is nothing to report
  - a conclusion where there is a specific requirement to report on any Statutory Other Information. In a local government body, this applies to the opinions prescribed by the Accounts Commission as to whether the Management Commentary and Annual Governance Statement are consistent with the financial statements and have been properly prepared.

### Titles of reports

#### Auditor action 11

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

45. The titles of the reports used in the model IARs reflect the titles used by the accounts regulations. In the event that a body uses different titles, auditors should amend the references in the IAR to be consistent.

### Material misstatement to report

#### Auditor action 12

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

**If auditors conclude that there is an uncorrected material misstatement in the Statutory Other Information, they should describe the misstatement in the IAR.**

46. Auditors should evaluate whether there are any material misstatements in the Statutory Other Information in accordance with the guidance provided in module 11 of [TGN 2020/8\(LG\)](#).
47. Where auditors conclude that there is an uncorrected material misstatement in the Statutory Other Information, they should replace the phrase '[I/We] have nothing to report in this regard' with a description of the material misstatement.
48. Auditors should discuss the subject matter of the misstatement, and share the proposed amendments to the model IAR, with Professional Support.

## Qualified opinion on Management Commentary or Annual Governance Statement

### Auditor action 13

When auditors are considering qualifying their opinion on the Management Commentary or Annual Governance Statement, 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.

49. Auditors should evaluate whether a qualified opinion in respect of the Management Commentary or Annual Governance Statement is appropriate in accordance with the guidance provided in module 11 of [TGN 2020/8\(LG\)](#).
50. Where auditors conclude that a qualified opinion is appropriate, they should amend the model IAR as set out in the following table:

Action	Nature of amendment
Amend heading 'Opinions prescribed by the Accounts Commission on Management Commentary and Annual Governance Statement'	Amend to 'Qualified opinions prescribed by the Accounts Commission on Management Commentary and Annual Governance Statement'
Amend 'In [my/our] opinion, based on the work undertaken in the course of the audit' in the opinion paragraph	Amend to 'In [my/our] opinion, except for the effects of the matter described in the basis for qualified opinion paragraph, based on the work undertaken in the course of the audit'
Add new heading	Add a 'Basis for qualified opinion on the Management Commentary [or Annual Governance Statement]' heading under the opinion paragraph
Add a paragraph describing the matter	Provide a concise description of the matter giving rise to the qualified opinion in a paragraph under the basis for qualified opinion heading

51. Auditors should discuss the subject matter of the qualified opinion, and share the proposed amendments to the model IAR, with Professional Support.
52. If a body makes a reference in the Annual Governance Statement to UK Corporate Governance Code, auditors should contact Professional Support as this would trigger additional reporting requirements under ISAs (UK) 701 and 720.

# Section 5

## Matters reported by exception

### Auditors' responsibilities

- 53.** 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.
- 54.** 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).
- 55.** Auditors report on these matters in the 'Matters reported on by exception' part of the IAR.

### Accounting records

#### Auditor action 14

**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.**

- 56.** 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.
- 57.** 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.
- 58.** 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 15

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 16

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

59. Auditors are required by the Accounts Commission to report a local government body's failure to achieve a prescribed financial objective.
60. 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 2018/19 to 2020/21 in their IAR as a failure to achieve a prescribed financial objective. Module 9 (section 10) of [TGN 2020/8\(LG\)](#) provides guidance for auditors.
61. Where a body does not have any significant trading operations, the reference in the model IAR may be removed.

## Modified conclusion

### Auditor action 17

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.

62. 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'.
63. 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.
64. Auditors should discuss the subject matter of the modified conclusion, and share the proposed amendments to the model IAR, with Professional Support.

# Section 6

## Emphasis of Matter/Other Matter paragraphs

### Auditors' responsibilities

65. [ISA \(UK\) 706](#) deals with Emphasis of Matter and Other Matter paragraphs in the IAR. These may need to be added to the model IARs 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 18

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 in accordance with ISA (UK) 706.

66. The following table summarises the requirements for an Emphasis of Matter paragraph (along with examples of where one could be appropriate) and the amendments that should be made to the model IAR:

Criteria	Examples	Amendments 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 IAR 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.	Indicate that the auditor's opinion on the financial statements is not modified in respect of the matter emphasised.
	A major catastrophe that has had, or continues to have, a significant effect on the body's financial position.	
	A material uncertainty declared by a valuer in their report in respect of a significant element of operational assets	

67. When auditors include an Emphasis of Matter paragraph, they should:

- include the paragraph in a suitable place in the model report with an appropriate heading that includes the term 'Emphasis of Matter'
- 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. The paragraph should refer only to information presented or disclosed in the financial statements

- indicate that the opinion on the financial statements is not modified in respect of the matter emphasised.
- 68.** Auditors included a number of Emphasis of Matter paragraphs in their 2019/20 IARs in respect of 'material valuation uncertainties' declared by valuers. It is anticipated that further Emphasis of Matter paragraphs may be considered appropriate in 2020/21 in some cases. Auditors should consider whether:
- the material valuation uncertainty is explicitly disclosed in the estimation uncertainty note
  - the disclosure is fundamental to understanding the financial statements. Auditors could reasonably conclude that the disclosure is fundamental where the body has an extensive estate used in the delivery of services and the material valuation uncertainty is in respect of the valuation of a significant part of that estate. Where the body's overall estate is small, or the affected part is limited to a relatively small part, it is unlikely that the disclosure would be considered fundamental to understanding the financial statements.
- 69.** Where auditors conclude that an Emphasis of Matter paragraph is appropriate, they should position it after the basis for opinion paragraph and use the following wording:

---

**Emphasis of matter: Material valuation uncertainty**

[I/We] draw attention to Note x in the financial statements which discloses a material valuation uncertainty caused by COVID-19 declared in the valuation report for property. [My/Our] opinion is not modified in respect of this matter.

---

- 70.** 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.
- 71.** Auditors should discuss the subject matter of an Emphasis of Matter or Other Matter paragraph, and share the proposed amendments to the model IAR, with Professional Support. This is an important quality check that sits above checking carried out by individual auditors. However, not all of the Emphasis of Matter paragraphs in 2019/20 were discussed with Professional Support.

---

# Appendix 1

## Councils (with a group)

---

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

#### Reporting 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 2021 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 2020/21 (the 2020/21 Code).

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

- give a true and fair view in accordance with applicable law and the 2020/21 Code of the state of affairs of the council and its group as at 31 March 2021 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 2020/21 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 concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work [I/we] have performed, [I/we] have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from 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] judgements 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. [I/We] design procedures in line with [my/our] responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the council is complying with that framework;
- identifying which laws and regulations are significant in the context of the council;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which [my/our] procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the council's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result 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.

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

## Reporting on other requirements

### Opinion prescribed by the Accounts Commission on the audited part of the Remuneration Report

[I/We] have audited the part of the Remuneration Report described as audited. 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.

### Statutory other information

The [insert job title of proper officer] is responsible for the statutory other information in the annual accounts. The statutory other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited part of the Remuneration Report.

[My/our] responsibility is to read all the statutory other information and, in doing so, consider whether the statutory 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work [I/we] have performed, [I/we] conclude that there is a material misstatement of this statutory other information, [I am/we are] required to report that fact. [I/We] have nothing to report in this regard.

[My/Our] opinion on the financial statements does not cover the statutory other information and [I/we] do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

### Opinions prescribed by the Accounts Commission on Management Commentary and Annual Governance Statement

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

#### Reporting 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 2021 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 2020/21 (the 2020/21 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2020/21 Code of the state of affairs of the council and its group as at 31 March 2021 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 2020/21 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 five 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 concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Director of Resources' assessment of the council's ability to continue to adopt the going concern basis of accounting included [*Explanation of how the auditor evaluated management's assessment and the key observations arising with respect to that evaluation*].



Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the body's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the board members' statement in the financial statements about whether the board members considered it appropriate to adopt the going concern basis of accounting.

### **Our approach to the audit**

*[Overview of the scope of the audit]*

<b>Key audit matter</b>	<b>How I scope addressed this matter</b>
<p><i>[Description of each key audit matter in accordance with ISA (UK) 701.</i></p> <p><i>Explain the significant judgements made by the audit team with respect to each key audit matter.</i></p> <p><i>Describe the most significant assessed risks of material misstatement, a summary of their response and any key observations arising in relation to those risks]</i></p>	<p><i>[Explanation of how the scope addressed each key audit matter and was influenced by the auditor's application of materiality]</i></p>

### **Our application of materiality**

*[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 as well as the threshold used by the auditor as being performance materiality but may include other relevant disclosures.]*

### **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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the council is complying with that framework;
- identifying which laws and regulations are significant in the context of the council;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and



- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the council's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result 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.

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

## Reporting on other requirements

### Opinion prescribed by the Accounts Commission on the audited part of the Remuneration Report

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

### Statutory other information

The Director of Resources is responsible for the statutory other information in the annual accounts. The statutory other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited part of the Remuneration Report.

Our responsibility is to read all the statutory other information and, in doing so, consider whether the statutory 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this statutory other information, we are required to report that fact. We have nothing to report in this regard.

Our opinion on the financial statements does not cover the statutory other information and we do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

### Opinions prescribed by the Accounts Commission on Management Commentary and Annual Governance Statement

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

#### Reporting 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 2021 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 2020/21 (the 2020/21 Code).

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

- give a true and fair view in accordance with applicable law and the 2020/21 Code of the state of affairs of the [council/body] as at 31 March 2021 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 2020/21 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 concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work [I/we] have performed, [I/we] have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on 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 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] judgements 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. [I/We] design procedures in line with [my/our] responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the [council/body] is complying with that framework;
- identifying which laws and regulations are significant in the context of the [council/body];
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which [my/our] procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the [council's/body's] controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result 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.

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

### **Reporting on other requirements**

#### **Opinion prescribed by the Accounts Commission on the audited part of the Remuneration Report**

[I/We] have audited the part of the Remuneration Report described as audited. 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.

**Statutory other information**

The [insert job title of proper officer] is responsible for the statutory other information in the annual accounts. The statutory other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited part of the Remuneration Report.

[My/our] responsibility is to read all the statutory other information and, in doing so, consider whether the statutory 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work [I/we] have performed, [I/we] conclude that there is a material misstatement of this statutory other information, [I am/we are] required to report that fact. [I/We] have nothing to report in this regard.

[My/Our] opinion on the financial statements does not cover the statutory other information and [I/we] do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

**Opinions prescribed by the Accounts Commission on Management Commentary and Annual Governance Statement**

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 2021 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 2020/21 (the 2020/21 Code).

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

- give a true and fair view in accordance with applicable law and the 2020/21 Code of the financial transactions of the [fund/funds] during the year ended 31 March 2021 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 2020/21 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 concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work [I/we] have performed, [I/we] have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the [fund's/funds'] ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from 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] judgements 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. [I/We] design procedures in line with [my/our] responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the [fund is/funds are] complying with that framework;
- identifying which laws and regulations are significant in the context of the [fund/funds];
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which [my/our] procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the [fund's/funds'] controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result 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.

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

## Reporting on other requirements

### Statutory other information

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

[My/our] responsibility is to read all the statutory other information and, in doing so, consider whether the statutory 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work [I/we] have performed, [I/we] conclude that there is a material misstatement of this statutory other information, [I am/we are] required to report that fact. [I/We] have nothing to report in this regard.

[My/Our] opinion on the financial statements does not cover the statutory other information and [I/we] do not express any form of assurance conclusion thereon except to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

### **Opinions 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 report, [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

#### Reporting 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 2021 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 2021 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 concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work [I/we] have performed, [I/we] have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the [charity's/charities'] ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. [I/We] design procedures in line with [my/our] responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the [charity is/charities are] complying with that framework;
- identifying which laws and regulations are significant in the context of the [charity/charities];
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which [my/our] procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the [charity's/charities'] controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result 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.

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

## **Reporting on other requirements**

### **Statutory other information**

The trustees are responsible for the statutory other information in the statement of accounts. The statutory other information comprises the Trustees' Annual Report.

[My/our] responsibility is to read all the statutory other information and, in doing so, consider whether the statutory 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work [I/we] have performed, [I/we] conclude that there is a material misstatement of this statutory other information, [I am/we are] required to report that fact. [I/We] have nothing to report in this regard.

[My/Our] opinion on the financial statements does not cover the statutory other information and [I/we] do not express any form of assurance conclusion thereon except to the extent explicitly stated in the following opinion prescribed by the Accounts Commission.

### **Opinion 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 2021 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 2021 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. [I/We] design procedures in line with [my/our] responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the [charity is/charities are] complying with that framework;
- identifying which laws and regulations are significant in the context of the [charity/charities];
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which [my/our] procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the [charity's/charities'] controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result 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.

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

## Reporting on other requirements

### Statutory other information

The trustees are responsible for the statutory other information in the statement of accounts. The statutory other information comprises the Trustees' Annual Report.

[My/our] responsibility is to read all the statutory other information and, in doing so, consider whether the statutory 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work [I/we] have performed, [I/we] conclude that there is a material misstatement of this statutory other information, [I am/we are] required to report that fact. [I/We] have nothing to report in this regard.

[My/Our] opinion on the financial statements does not cover the statutory other information and [I/we] do not express any form of assurance conclusion thereon except to the extent explicitly stated in the following opinion prescribed by the Accounts Commission.

### Opinion 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 followed the wording in the relevant model IAR other than where changes are required to reflect local circumstances, e.g.: <ul style="list-style-type: none"> <li>named the body consistently with what it calls itself?</li> <li>used the correct 'person' (i.e. singular for Audit Scotland staff, plural for firms)?</li> <li>added the job title of the Section 95 proper officer?</li> <li>considered whether any other amendments to the model IAR wording are appropriate and discussed proposals with Professional Support?</li> </ul>			
3 Have you ensured that the IAR has been signed: <ul style="list-style-type: none"> <li>by the appointment lead?</li> <li>on the authorised for issue date (or as close as possible thereafter)?</li> <li>'for and on behalf of the firm' (firms only)?</li> </ul>			
4 Have you satisfied yourself that the IAR is appropriately positioned within the annual accounts?			
5 Have you listed the audited financial statements using the precise titles used by the body?			
6 Have you: <ul style="list-style-type: none"> <li>discussed any proposed modifications to the audit opinion on the financial statements with Professional Support?</li> <li>made the appropriate amendments?</li> </ul>			
7 Have you in the basis for opinion paragraph: <ul style="list-style-type: none"> <li>added the date of your appointment (or delegation) letter and the total period of appointment?</li> <li>reported any non-audit services not disclosed elsewhere?</li> </ul>			

	Yes/No/N/A	Initials/date	W/P ref
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?			
9			
Have you used the precise title of the Remuneration Report used by the body?			
10			
Have you:			
<ul style="list-style-type: none"> <li>discussed a proposed qualified opinion on the audited part of the Remuneration Report with Professional Support</li> <li>made the appropriate amendments?</li> </ul>			
11			
Have you used the precise titles of the reports comprising Statutory Other Information used by the body?			
12			
Have you:			
<ul style="list-style-type: none"> <li>discussed any proposed reporting of material misstatements in Statutory Other information with Professional Support</li> <li>made the appropriate amendments?</li> </ul>			
13			
Have you:			
<ul style="list-style-type: none"> <li>discussed a proposed qualified opinion on the Management Commentary or Annual Governance Statement with Professional Support</li> <li>made the appropriate amendments?</li> </ul>			
14			
Have you evaluated and concluded on whether:			
<ul style="list-style-type: none"> <li>the body has kept adequate accounting records throughout the year?</li> <li>the financial statements and the audited part of the Remuneration Report are in agreement with the accounting records?</li> </ul>			
15			
Have you evaluated and concluded on whether you have received all the information and explanations required for the audit?			
16			
Have you evaluated and concluded on whether any significant trading operation has failed to break even?			
17			
Have you evaluated and concluded on whether you have received all the information and explanations required for the audit?			



	Yes/No/N/A	Initials/date	W/P ref
18 Have you:			
• discussed any proposed modifications to conclusions on a matter reported by exception with Professional Support			
• made the appropriate amendments?			

---

# Technical Guidance Note 2021/5(LG) – 2020/21 Independent Auditor’s Reports for Local Government Bodies

If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500 or [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)

For the latest news, reports and updates, follow us on:



Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN  
T: 0131 625 1500