

Guidance on planning the audit

2019/20 audits



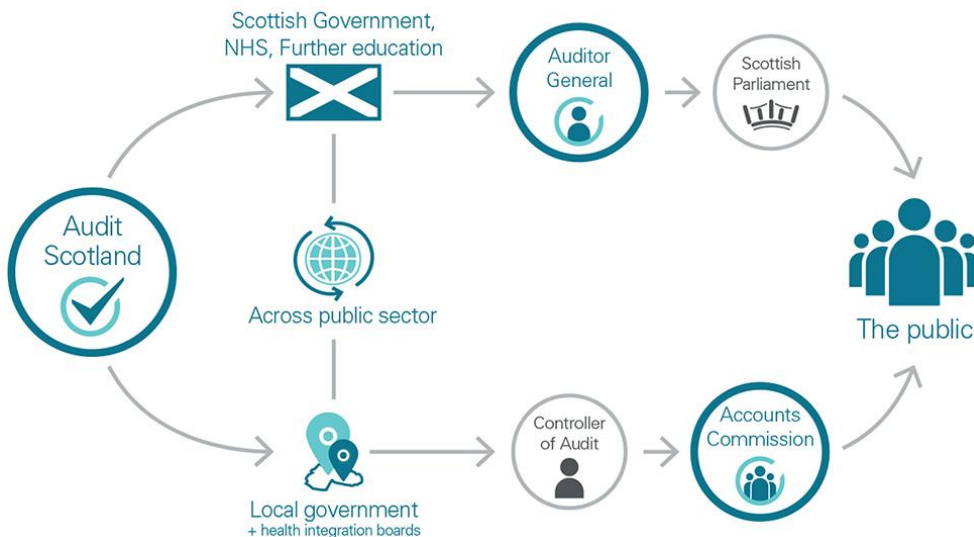
Prepared by Professional Support for auditors in all sectors

1 October 2019

Who we are

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

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



About us

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

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

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

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Section 1

Overview

Purpose of guidance

1. The purpose of this guidance from Audit Scotland's Professional Support is to assist auditors appointed by the Auditor General for Scotland and the Accounts Commission to plan their 2019/20 audits of public bodies.
2. Appointed auditors must have regard to this guidance, as well as the [Code of Audit Practice](#), any other relevant guidance from Audit Scotland, [International Standards on Auditing](#) (ISAs UK), and [Practice note 10](#) when planning, performing and reporting their audits.

Auditors must have regard to this guidance when planning their 2019/20 audits

Summary of audit activities

3. A key activity of local auditors is performing an audit, and expressing opinions, on a public body's annual accounts. However, core audit work has a wider scope and reaches into judgements on specified audit dimensions (i.e. governance and transparency, financial sustainability, financial management and value for money).
4. The following table summarises:
 - the main activities that comprise core audit work that are reflected in the expected fee set by Audit Scotland
 - the outputs associated with each activity (with those produced by the local auditor distinct from those for which their work contributes)
 - potential additional audit activity not reflected in the expected fee
 - the section in this guidance which covers each activity.

Core audit activity	Output (produced by auditor)	Output (audit work contributes)	Additional audit activity	Section
Perform an audit of the annual accounts and express specified audit opinions	Annual Audit Plan* Management/Interim report(s)* Independent Auditor's Report			2
Consider and report on the audit dimensions	Annual Audit Plan* Annual Audit Report*			3A and 3E
Contribute to performance audits (including overview reports, performance audit reports, and impact reports)	Datasets Information returns	Sector overview reports* Performance audit reports* Impact reports*		4
Share intelligence with health and social care national agencies	Intelligence return			5B

Core audit activity	Output (produced by auditor)	Output (audit work contributes)	Additional audit activity	Section
Highlight issues for potential statutory reports		Statutory reports*	Further work to contribute to production of statutory reports	5C
Communicate emerging issues to Audit Scotland				5D
Provide assurance on Whole of Government Accounts (WGA) returns	Assurance Statement on WGA return	Treasury WGA		5F
Carry out preliminary enquiries into referred correspondence		Response to correspondents	Conduct a review as agreed with the Correspondence Team	5G
Provide information on cases of fraud	Fraud Returns	Technical Bulletins* Annual Fraud Report*		5I
Provide information on cases of money laundering		Report to National Crime Agency		5J
Contribute to National Fraud Initiative (NFI) report	NFI audit questionnaire Reference, if necessary, in Annual Audit Report*	Biennial NFI report*		5K
Contribute to Technical Guidance Notes	Consultation comments on draft Technical Guidance Notes	Technical Guidance Notes		5L

Local government only

Core audit activity	Output (produced by auditor)	Output (audit work contributes)	Additional audit activity	Section
Audit and report on Best Value arrangements	Best Value Audit Plan Annual Audit Report* Best Value Assurance Report (where applicable)*	Controller of Audit's Annual Assurance and Risks Report*	Additional work to support Best Value Assurance Report	3B

Core audit activity	Output (produced by auditor)	Output (audit work contributes)	Additional audit activity	Section
Consider and report on the arrangements related to Strategic Audit Priorities	Annual Audit Plan* Best Value Audit Plan Annual Audit Report*	Annual Assurance and Risks Report*		3C
Consider and report on Statutory Performance Information arrangements	Annual Audit Plan* Annual Audit Report*			3D
Contribute to the Shared Risk Assessment	Information return Any locally agreed output	National Scrutiny Plan*		5A
Prepare and submit Current Issues Returns	Current Issues Returns	Current issues report		5D
Provide assurance on approved grant claims	Certificate in support of grant claims			5E
Consider statutory objections to the annual accounts	Response to objection			5H
Contribute to housing benefit performance audits		Housing Benefit Audit Report*		5M

* published on Audit Scotland's [website](#).

5. Auditors are expected to attend and contribute to meetings hosted by Audit Scotland during the year. These take the form of one all-sector audit planning conference, several sector-specific meetings for all auditors with audit appointments in a sector, and partnership meetings.

Key changes for 2019/20

6. The following table provides a summary of the key changes in this guidance:

Nature of change	Relevant section
Auditors are required to ensure their work in respect of Statutory Other Information in the annual accounts meets good practice set out by the Financial Reporting Council.	2
There is a requirement to assess the risk of fraud and corruption in the procurement function and report, where relevant, on the arrangements to counter the risk in either the 2019/20 or 2020/21 Annual Audit Reports.	3A
The list of councils which will receive a Best Value audit has been updated.	3B
There is a requirement to report in the Annual Audit Report a conclusion on the effectiveness and appropriateness of the arrangements in place for complying with the Accounts Commission's direction on statutory performance information.	3D
The local auditor input requirements for the performance audit work programme and impact reports have been updated.	4

Nature of change	Relevant section
The requirement to prepare a Current Issues Return has been dispensed with for all sectors except local government (provided auditors keep Audit Scotland up-to-date by other means).	5D
Prior approval from Audit Scotland's Audit Quality and Appointments (AQA) is now required for any certification of grant claims or similar returns in the central government, health and college sectors.	5E
Clarification has been added regarding the fee arrangements for statutory objections.	5H
The requirement for Fraud Returns has been extended to all bodies.	5I
Guidance on fees has been moved to separate Audit Management and Quality Guidance from AQA (AQA guidance).	N/A

2019/20 Annual Audit Plans

7. As part of the audit planning process, local auditors should prepare an Annual Audit Plan that documents how they intend to meet their responsibilities for 2019/20 audits. The Annual Audit Plan should contain an overview of the planned scope and timing of the work to be carried out and be presented to those charged with governance at each body.

Annual Audit Plans should contain the required components

8. Annual Audit Plans must include the following components:

Required component	Explanation
Agreed fee	Auditors should refer to the AQA guidance for information.
Work to address risks	Where significant risks to the annual accounts and audit dimensions are identified at the planning stage, auditors should indicate the work planned in the year to address them.
Outputs	A complete list of outputs to be reported to those charged with governance planned for the year. The target dates for submitting audit outputs should be when auditors expect to submit the final version, including an agreed action plan where applicable.
Responsibilities	The respective responsibilities of audited bodies and local auditors.
Independence	Confirmation of the independence of the local auditor.
Materiality	Information on materiality. Guidance is provided at section 2.
Non-application of wider scope	An explanation of the judgement to not apply the full wider scope of audit. Guidance is provided at section 3E.

9. Auditors should submit Annual Audit Plans to AQA as soon as they have been presented to those charged with governance, and no later than:
- 28 February 2020 (central government and health)
 - 31 March 2020 (local government)
 - 30 June 2020 (colleges).
10. If it is not possible to present the plans to those charged with governance before the above dates due to the scheduling of meetings, auditors should

Annual Audit Plans should be submitted as soon as possible and by the specified deadlines

submit the draft plans by the deadline, indicating when the final version will be available, and submit those final plans as soon as possible.

11. AQA does not approve Annual Audit Plans but will contact auditors if more information is needed. For example, this may be the case if auditors do not provide explanations for any fees above the expected fee, or fail to clearly identify whether the fee has been agreed with the audited body.

Submission of outputs

12. Auditors should submit all outputs specified throughout this guidance, including the Annual Audit Plans, as follows:

Auditor	Submission
ASG	Save in the appropriate audited body's Financial Audit - Outputs library on SharePoint and email a hyperlink to outputs@audit-scotland.gov.uk
Firms	Email to outputs@audit-scotland.gov.uk

Fee for the Audit

13. Auditors should use the flexibility within the Fee for the Audit arrangements to resource the core audit activities set out in the table at paragraph 4. Guidance on determining agreed fees in conjunction with audited bodies, as well as the construction of expected fee ranges is included in [AQA guidance](#). It should be noted that, although the consideration of objections is a core audit activity, it is not provided for in the construction of the expected fee.
14. Auditors must provide key audit contact (appointment lead and manager) and audited body billing details (for invoicing) to AQA by 8 November 2019 (6 January 2020 for colleges). AQA will provide a pro forma for completion.
15. Any work commissioned from auditors outwith the core audit work will incur additional audit fees. When commissioning such work, Audit Scotland will indicate whether the additional fee is to be separately agreed with the audited body or to be invoiced to the Performance Audit and Best Value Group (PABV), if the work cannot be accommodated by increasing the fee agreed with the body.
16. Maximum grade-related daily rates (including VAT at 20%) for additional audit work in 2019/20 are:

Auditors should provide key audit contact and billing details by 8 November 2019

Partners/Directors	Senior Audit Managers/ Audit Managers	Qualified staff	Other staff
£2,097	£1,175	£711	£474

Contact points

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

Area	Contact	Contact details
Summary of audit activity	Paul O'Brien	pobrien@audit-scotland.gov.uk or 0131 625 1795
Annual Audit Plans; submission of outputs; and Fee for the Audit	Owen Smith	osmith@audit-scotland.gov.uk or 0131 625 1914

Section 2

Auditing the annual accounts

Introduction

18. Local auditors are required to perform an audit of and consider the annual accounts of public bodies and express a number of audit opinions in an Independent Auditor's Report in accordance with [ISAs \(UK\)](#), [Practice note 10](#), and [guidance](#) from Professional Support.

Risks of material misstatement in financial statements

19. As part of auditing the financial statements (and Remuneration Report), auditors are required by [ISA \(UK\) 315](#) to identify and assess risks of material misstatement.
20. Professional Support will provide auditors with [Technical Guidance Notes](#) (TGNs) to assist in the consistent identification of risks of material misstatements. The TGNs are expected to be published in:
- November 2019 (local government), with an update in May 2020 if required
 - January 2020 (central government, with a module for health boards in February 2020 and colleges in August 2020).
21. The TGNs will also assist auditors in performing an efficient audit by explaining Professional Support's view on the appropriate accounting treatment related to each risk and setting out the action auditors should undertake. This is intended to inform auditor's professional judgement and promote the exercise of professional scepticism. Auditors should pay due regard to the TGNs and should advise Professional Support of any intended departure from the guidance.

Professional Support will provide guidance on identifying risks of material misstatement

Statutory Other Information

22. In addition to the financial statements and Remuneration Report, the annual accounts include Statutory Other Information, e.g. a Management Commentary/Performance Report and Governance Statement. Auditors are required to consider whether the Statutory Other Information is consistent with the financial statements and has been prepared in accordance with applicable requirements. The TGNs will set out the procedures that auditors should carry out.
23. The TGNs will reflect the Financial Reporting Council [report](#) issued in December 2018 following an audit quality thematic review of auditors' work on other information which identified a number of instances when insufficient work was performed. Auditors should refer to this report and ensure that any weaknesses in approach compared with the good practice highlighted in the report are addressed in 2019/20.

Auditors should follow good practice in their work on Statutory Other Information

Materiality

24. The concept of materiality is applied by auditors both in planning and performing the audit, and in evaluating the effect of any uncorrected misstatements on the financial statements. Auditors should:
- in accordance with paragraph 93 of the [Code of Audit Practice](#), explain the concept of materiality and the materiality figures used (overall and performance) in the Annual Audit Plan. If there is a lower materiality for particular transactions or balances, this should also be explained

The concept of materiality should be explained in the Annual Audit Plan and Annual Audit Report

- consider the public interest factor inherent to their work and apply judgement when determining the above amounts, in compliance with [ISA \(UK\) 320](#) and [Practice Note 10](#)
- include in their Annual Audit Plans the 'clearly trivial' thresholds for accumulating and reporting misstatements under [ISA \(UK\) 450](#). This threshold should also reflect the public interest factor and must not exceed £250,000.

25. As part of Enhanced Auditor Reporting (explained later in this section), auditors should also explain in the Annual Audit Report how the concept of materiality was applied.

The public interest factor should be considered when setting materiality

Receipt of unaudited annual accounts

26. The timescale for receiving the unaudited annual accounts are summarised in the following table:

Sector	Legislation	Timescales
Local government	The Local Authority Accounts (Scotland) Regulations 2014 (accounts regulations)	Requirement to submit unaudited annual accounts to auditors by 30 June 2020
Other sectors	Public Finance and Accountability (Scotland) Act 2000 (PFA Act)	Six month statutory deadline for submitting accounts for audit*

* However, auditors should agree with the body when the accounts will be received bearing in mind the deadlines for submitting the audited annual accounts to Audit Scotland (set out later in this section).

Group audits

27. Most councils and many other audited bodies prepare group financial statements which therefore require a group audit. [ISA \(UK\) 600](#) requires the group auditor to assess the component auditor's independence, competence and the regulatory environment in which they work. In the first instance, group auditors should consider using the Quality of Public Audit in Scotland Report issued in June by AQA to assist in documenting their assessment of significant component auditors' professional competence where the auditor is one of the six firms appointed by the Auditor General and Accounts Commission.

28. The expectations of group and component auditors are summarised in the following table:

Group auditor	Component auditor
Ensure the parent body provides appropriate direction to its components on the timely completion of their audits	Cooperate with group auditors in providing appropriate assurances
Correspond with component auditors in sufficient time	Complete relevant questionnaires from the group auditor and submit on time

Component auditors should provide requested assurances to group auditors

Technical advice

29. Auditors are encouraged to discuss technical issues with Professional Support as they arise. This may include obtaining a second opinion on the applicable accounting treatment for an unusual transaction, an interpretation of a public sector financial reporting requirement, or a view on the appropriate accounting policy for a complex matter. Auditors are expected to have formed their own preliminary views. Professional Support will then provide advice to inform auditor' judgement on the issue.

Auditors are encouraged to contact Professional Support for a technical advice

30. Auditors should also contact Professional Support to advise of, and discuss, any emerging technical risks that may have wider application to other bodies. Where applicable Professional Support will then disseminate information to other auditors to promote a consistent approach.
31. Auditors should contact Professional Support by emailing TechnicalQueries@audit-scotland.gov.uk.

Technical developments

32. Auditors are expected to keep their knowledge up-to-date on the main public sector technical developments that are relevant to their audit appointments. Professional Support will provide quarterly [Technical Bulletins](#) and other updates to assist in this regard, and to provide guidance on any emerging risks.

Independent auditor's report

33. The [Code of Audit Practice](#) requires auditors to report on their audit and consideration of the annual accounts in an Independent Auditor's Report prepared in accordance with [TGNs](#) provided by Professional Support.
34. Auditors are required to express opinions in the Independent Auditor's Report on:
 - the financial statements
 - the regularity of income and expenditure (other than local government)
 - the audited part of the Remuneration Report
 - whether the Management Commentary/Performance Report and Governance Statement are consistent with the financial statements and have been prepared in accordance with applicable requirements.
35. Conclusions are also required on specified matters on which auditors are required to report by exception, e.g. whether adequate accounting records have been kept.
36. The [TGNs](#) containing guidance on the above for 2019/20, including model Independent Auditor's Reports, are expected to be published in:
 - March 2020 (health and central government)
 - April 2020 (local government)
 - August 2020 (colleges).

Application of Extended Auditor Reporting

37. Paragraph 100 of the Code of Audit Practice applies to all Annual Audit Reports the enhancements made to auditor reporting originally included in ISA (UK&I) 700 in 2013. The requirements for Extended Auditor Reporting as it is called are now included in [ISA \(UK\) 701](#) at paragraphs 11(a) and 16-1.
38. Annual Audit Reports for 2019/20 are therefore required to include:
 - a description of the most significant assessed risks of material misstatement that were identified by the auditor which had the greatest effect on the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the audit team
 - an explanation of how the auditor applied the concept of materiality in planning and performing the audit, including specifying the materiality threshold for the financial statements as a whole
 - an overview of the scope of the audit, including an explanation of how it was influenced by the auditor's application of materiality
 - the audit findings from work on each risk of material misstatement or a statement that there is nothing to report.

Extended Auditor Reporting should be reflected in the Annual Audit Report

Submission of audited annual accounts

39. Auditors should submit the audited annual accounts by the deadlines for each sector set out in the table below:

Sector	Submission deadlines	Comments
Health	30 June 2020	Auditors are required to complete an Assurance Statement stating whether excel consolidation templates are consistent with the audited annual accounts; guidance will be provided by Professional Support. Auditors should also email the excel version and accompanying Assurance Statement to the Scottish Government as well as submitting to Audit Scotland.
Local government	30 September 2020	The full council (or relevant committee) must aim to meet to consider the annual accounts and approve them for signature by 30 September 2020. Immediately after approval, specified members and officers must sign and date the accounts and then provide them to the auditor. Appointment leads should plan their audit completion timetable to meet this deadline and, where possible, attend the relevant meeting.
Central government	30 October 2020 (12 June for Scottish Water)	Although the statutory deadline is 31 December, AQA has set an earlier submission date to allow for the laying process and any statutory reporting. However, AQA will not hold auditors responsible if the body refuses to meet the earlier deadline. If there is a need to complete the audit in a shorter timescale due to a sponsor department requirement or to support the group audit opinion, auditors should aim to meet such requirements, where possible. Auditors should contact AQA if this is expected to cause any difficulties.
College	31 December 2020	This deadline is set by the Scottish Funding Council.

40. Auditors should submit signed audited annual accounts in accordance with paragraph 12. The accounts must be in an electronically searchable pdf format (and excel for health boards). The signatures can be typed.

41. Auditors should also submit 'wet' signed copies of the annual accounts as set out in the following table:

Address	Sector	Number of sets
Owen Smith, Audit Scotland, 102 West Port, Edinburgh EH3 9DN	Local government	1
	Other sectors	2
	(Scottish Police Authority)	(3)

42. In addition to the above, auditors should agree locally the number of signed sets of audited annual accounts required by the audited body.

Laying accounts

43. The Auditor General is required to send to the Scottish Ministers the audited annual accounts (other than for local government) who are then required to lay the accounts in the Scottish Parliament. AQA will arrange on behalf of the Auditor General for one set of accounts to be sent to the minister of the appropriate department (the other copy will be retained). The preferred route

is for AQA to send the accounts and a covering letter to the relevant department directly.

44. Auditors should contact AQA if bodies wish to have their accounts laid by a particular date to ensure that date can be met. AQA will send auditors a copy of the letter that is sent to the relevant minister/department for laying.
45. Some bodies have historically submitted the accounts to the departments. Where the body wishes to continue this practice, AQA send the accounts and covering letter to the body so they can do so.

Auditors should contact AQA if the accounts are to be laid by a particular date

Publication of accounts

46. Local government bodies are required to publish their 2019/20 annual accounts on their website no later than 31 October 2020. Bodies in other sectors must wait until their annual accounts have been laid in Parliament before publishing them on their websites.
47. Appointment leads may simply use their typed name in place of actual signatures for the set of accounts that are published on websites.

Contact points

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

Area	Contact	Contact details
Risks of material misstatement in the financial statements, Statutory Other Information, Materiality, Group audits, Technical advice, Technical developments, Independent Auditor's Reports, and application of Extended Auditor Reporting	Paul O'Brien	pobrien@audit-scotland.gov.uk or 0131 625 1795
Submission and laying of audited annual accounts	Owen Smith	osmith@audit-scotland.gov.uk or 0131 625 1914

Section 3

Audit dimensions, Best Value and Strategic Audit Priorities

Introduction

49. The [Code of Audit Practice](#) requires the full wider scope of audit to apply to all bodies (unless the auditor judges that it is not appropriate due to the size, nature and risks of the body as discussed at section 3E).
50. The Code sets out four dimensions that frame wider scope audit work. The audit dimensions provide a common framework for all the audit work conducted for the Auditor General and for the Accounts Commission.
51. In addition, auditors have a statutory duty to be satisfied that local government bodies have made proper arrangements to secure Best Value (BV). BV duties also apply to accountable officers across the public sector. The Commission also sets out five Strategic Audit Priorities that it expects auditors to consider in local government audits.

3A Audit dimensions

52. Local auditors must consider the four audit dimensions set out in the Code (illustrated in following diagram) when scoping, planning, performing and reporting their work:



53. Auditors should consider the arrangements in place for the audit dimensions when undertaking their annual risk assessment of the audited body and preparing their 2019/20 Annual Audit Plans:
 - If auditors do not have sufficient evidence to conclude on the arrangements for each dimension, or have identified significant risks related to the audit dimensions, they should explain the work that they plan to do during the year.
 - If no significant risks are identified in respect of the audit dimensions, auditors should state that in their Annual Audit Plans.

54. Audit Scotland's [Audit Dimensions](#) supplementary guidance provides a series of key question as examples of what auditors should consider when planning their audit work.
55. The consideration of financial management includes evaluating the arrangements for fraud and corruption. Auditors should refer to CIPFA's [Code of Practice on Fraud and Corruption](#) which states that leaders of public bodies have a responsibility to embed effective standards for countering fraud and corruption in their organisations. The five key principles of the code are to:
- acknowledge the responsibility of the governing body for countering fraud and corruption
 - identify the fraud and corruption risks
 - develop an appropriate counter fraud and corruption strategy
 - provide resources to implement the strategy
 - take action in response to fraud and corruption.
56. Auditors should treat fraud and corruption in respect of the procurement function as a matter of particular focus. Illicit rebates, kickbacks, and false invoicing are potential risks across the public sector. For all bodies other than those where the full wider scope is not judged to be appropriate, auditors should assess the risk of fraud and corruption in the procurement function when scoping, planning, performing and reporting their work, as part of their consideration of financial management.
57. Where auditors identify a specific risk, they should reflect that in their Annual Audit Plans for either 2019/20 or 2020/21. When evaluating the arrangements at the audited body to mitigate that risk, auditors may wish to consider whether:
- the risk of procurement fraud is acknowledged on the body's risk register, and there is a risk owner who has overall responsibility
 - controls around the procurement process, including segregation of duties, are adequate, followed and enforced
 - there is a reasonable gifts and hospitality policy in place that is enforced to prevent unacceptable instances taking place and systems to ensure all acceptable instances are recorded in a register
 - all staff involved in procurement-related decisions are trained how to identify procurement fraud 'red flags' (e.g. excessive entertaining of procurement staff by suppliers)
 - internal audit coverage of procurement systems is adequate and proportionate to the risks faced by the body
 - there are arrangements to encourage and protect whistle-blowers.
58. Auditors should report on the effectiveness and appropriateness of the arrangements for the prevention and detection of fraud and corruption in the procurement function in either their 2019/20 or 2020/21 Annual Audit Reports (as part of their overall conclusion on financial management) and make recommendations, where appropriate.
59. Other risks may emerge during the year that may require action to be taken by local auditors. Audit Scotland will advise auditors of such risks and will discuss the appropriate response. Auditors are advised to include an element of contingency in their plans to allow for such matters. Audit Scotland continues to monitor the possible implications of EU withdrawal. Where actions are required by auditors that are substantial, Audit Scotland will consider the impact on other auditor responsibilities and provide revised guidance as appropriate.
60. Auditors should include the following in their 2019/20 Annual Audit Reports:

Fraud and corruption in procurement is a matter of focus

Other risks may emerge during the year

- a summary of the audit work undertaken during the year in response to identified risks
- a conclusion on the effectiveness and appropriateness of the arrangements in place for each audit dimension
- any remaining significant risks and recommendations for improvement to mitigate them
- any good practice identified.

The Annual Audit Report should include these elements

61. The main contacts are:

Area	Contact	Contact details
Audit dimensions	Owen Smith	osmith@audit-scotland.gov.uk or 0131 625 1914
Fraud and corruption risk	Anne Cairns	acairns@audit-scotland.gov.uk or 031 625 1926

3B Auditing Best Value

62. Local auditors have a duty to be satisfied that local government bodies have made proper arrangements to secure BV. Auditors in other sectors may also carry out BV work.

Auditing BV in councils

63. 2019/20 is year four of the agreed five-year approach to auditing BV in councils.

64. A key feature of the approach is the Controller of Audit providing a Best Value Assurance Report (BVAR) to the Accounts Commission for each council at least once over the five year period. As part of the 2019/20 audits, BVARs are to be reported for the following councils:

2019/20 BVAR councils	PABV link managers	Contact details
Aberdeenshire	Carol Calder	ccalder@audit-scotland.gov.uk or 0131 625 1804
Argyll and Bute	Mark Roberts	mroberts@audit-scotland.gov.uk or 0131 625 1613
City of Edinburgh	Mark MacPherson	mmacpherson@audit-scotland.gov.uk or 0131 625 1828
North Ayrshire		
Dundee	Leigh Johnston	ljohnston@audit-scotland.gov.uk or 0131 625 1977
Falkirk	Tricia Meldrum	tmeldrum@audit-scotland.gov.uk or 0131 625 1845
Moray	Jillian Matthew	jmatthew@audit-scotland.gov.uk or 0131 625 1844

65. BV audit work is integrated with the local audit and should be carried out in accordance with the [Local Government Audit Manual – Auditing Best Value](#) (BV Audit Manual) which supplements the Code of Audit Practice. Local auditors and PABV auditors work together on planning, performing and reporting BV audit work. To facilitate this integration, local auditors should make early contact and liaise with their PABV link manager to organise the contribution of PABV staff to each council audit.

66. BV audit work is scoped to reflect local priorities and risks. The scoping will determine coverage of BV characteristics set out in the [BV Audit Manual](#) and the Accounts Commission's Strategic Audit Priorities (explained at section 3C). The BVARs will be reported to a timetable discussed with local auditors.

67. All auditors should update the BV Audit Plan (BVAP) to cover the remaining two years of the audit appointment. It should reflect the actual work completed in earlier years and the latest intelligence on the council. Scheduling of work should reflect the local risk assessment from the Shared Risk Assessment (explained at section 5A) and annual planning processes. Further information was provided in an email from Audit Scotland on 1 October. This included highlighting the implications of the [Islands \(Scotland\) Act 2018](#).
68. The BVAP is an internal document that does not need to be listed as an output in the Annual Audit Plan. However, if auditors choose to share the BVAP with a council, they should explain the flexible nature of the BV programme.
69. Auditors should submit their BVAP to Audit Scotland by 31 March 2020 in accordance with paragraph 12 to help planning for BV support. Auditors should report findings and judgements on BV audit work in the 2019/20 Annual Audit Report, including following up previous BV audit findings. The follow up should reflect the council's response to the findings and progress against each improvement action.
70. Where a BVAR has been published in a previous year, the Annual Audit Report should include follow up of the auditor recommendations and any additional Accounts Commission recommendations included in their findings. Auditors should also make reference to their current judgement on the pace and depth of continuous improvement. This should reflect on the BVAR judgement and be updated for the results of follow up audit work.
71. Additional follow up work may be required by auditors where the Commission decides to use its powers to instruct further audit work or to hold a hearing in response to a BVAR.
72. The BVAPs and Annual Audit Reports will also be used to inform the Controller of Audit's Annual Assurance and Risks Report (AARR) to the Accounts Commission for 2019/20.
73. The BV Audit Manual explains how the dimensions cross over with statutory BV characteristics and the BV assurance framework to avoid any unnecessary duplication of work.
74. The main contact is **Fiona Mitchell-Knight**, fmitchell-knight@audit-scotland.gov.uk, 0131 625 1937.

Auditors should submit their BVAP to Audit Scotland by 31 March 2020

Auditing BV in other sectors

75. For sectors other than local government, the Scottish Public Finance Manual (SPFM) explains that accountable officers have a specific responsibility to ensure that arrangements have been made to secure BV. Auditors should confirm that there are organisational arrangements in place in this regard when planning and reporting on the audit dimensions.
76. Auditors may also carry out specific audit work covering the nine BV characteristics set out in the [SPFM](#). The nature and extent of this work will be determined by the annual risk assessment carried out by auditors. However, there is an increasing expectation that equalities will be advanced through the audit process. Auditors should aim to consider this area at least once during the audit appointment.
77. [Ministerial guidance to Accountable Officers](#) for public bodies sets out their duty to ensure that arrangements are in place to secure BV in public services. The guidance is currently being refreshed by a Scottish Government working group. The audit approach and guidance described in this section is designed to be consistent with both the current and the revised guidance.
78. Auditors may use assessment material from the [BV Audit Manual](#) to inform audit work in non-local government bodies. The application of this material

should be based on an appropriate consideration of the distinctive features of local government bodies as well as local circumstances and risks.

- 79.** The main contact is **Fiona Mitchell-Knight**, fmitchell-knight@audit-scotland.gov.uk, 0131 625 1937.

3C Strategic Audit Priorities for local government

- 80.** Within its [strategy 2019-24](#), the Accounts Commission sets out five Strategic Audit Priorities that it expects auditors to consider in all work across local government.
- 81.** The following table lists the Strategic Audit Priorities along with the corresponding audit dimension (as set out in the BV Audit Manual):

Strategic Audit Priorities	Corresponding audit dimension
Having clear priorities with a focus on outcomes, supported by effective leadership and long term planning.	Governance and transparency
The strategic appraisal of options to reshape services in line with priorities. This should consider good practice, innovation and collaborative working with partners.	Financial sustainability
Ensuring that members and officers have the right knowledge, skills and support to design, develop and deliver effective services in the future.	Financial sustainability
Empowering local communities and involving them in the design and delivery of local services and planning for their local area.	Governance and transparency
Reporting the council's performance in a way that enhances accountability to citizens and communities, helping them contribute better to the delivery of improved outcomes.	Value for money

- 82.** Auditors of councils should assess the effectiveness and appropriateness of the arrangements for each Strategic Audit Priority, based on the work carried out to date over the audit appointment, as part of the overall conclusion on the corresponding audit dimension in the 2019/20 Annual Audit Report. This assessment informs the Controller of Audit's AARR.
- 83.** The assessment of arrangements for reporting performance should particularly focus in 2019/20 on statutory performance information as explained in the following section.
- 84.** The main contact is **Paul Reilly**, preilly@audit-scotland.gov.uk or 0131 625 1809.

3D Councils' Statutory Performance Information

- 85.** The Accounts Commission has a statutory responsibility to define the performance information that councils must publish. This responsibility links with the Commission's BV audit responsibilities. In turn, councils have their own responsibilities, under their BV duty, to report performance to the public. The Accounts Commission issued a revised [2018 Statutory Performance Information Direction](#) in December 2018 which requires a council to report its:
- performance in improving local public services provided by the council (on its own and with its partners and communities), and progress against agreed desired outcomes
 - own assessment and independent audit assessments of how it is performing against its duty of BV, and how it plans to improve these assessments

- how it (with its partners where appropriate) has engaged with and responded to its diverse communities.
- 86.** As this is the first year of the direction, local auditors should evaluate the effectiveness and appropriateness of the arrangements at each council to fulfil the above requirements. This should be linked to the work carried out on the Commission's Strategic Audit Priority in respect of reporting the council's performance in a way that enhances accountability to citizens and communities. Auditors should refer to the guidance in the [BV Audit Manual](#) on public performance reporting, and should report in their 2019/20 Annual Audit Reports:
- a conclusion on the effectiveness and appropriateness of the arrangements in place for complying with the direction
 - any recommendations for improvement in the arrangements.
- 87.** The main contact is Paul Reilly, preilly@audit-scotland.gov.uk or 0131 625 1809.

Auditors should evaluate arrangements for complying with the direction and report a conclusion

3E Application to smaller bodies

Bodies where full wider scope not appropriate

- 88.** Where auditors judge that the full wider audit scope is not appropriate for a particular body, this judgement must be documented in the 2019/20 Annual Audit Plan. The judgement should be re-considered each year, informed by experience from previous years. Further guidance on making the judgement is provided in the [Smaller Audited Bodies](#) supplementary guidance. Any areas of uncertainty should be discussed with AQA.
- 89.** Circumstances where the full wider scope is not appropriate are most likely to apply to the audits of:
- Section 106 charities, some joint boards and committees
 - small special health boards
 - small colleges
 - small central government bodies.

Auditors should document in the Annual Audit Plan if they judge the full wider scope to be inappropriate

Application to health and social care

- 90.** Integration joint boards (IJBs) fall within [section 106](#) of the Local Government (Scotland) Act 1973 (the 1973 Act). The full wider audit scope work is likely to be appropriate for IJBs.
- 91.** The governance arrangements for health and social care integration are an area of particular interest to the Auditor General and Accounts Commission. As part of the work on governance and transparency, local government and health auditors should apply and report on the prompt from the [Audit Dimensions](#) supplementary guidance "Can the body demonstrate that the governance arrangements are appropriate and operating effectively (including services delivered by, or in partnership with, others such as ALEOs, subsidiaries and associates)" in the context of health and social care integration.
- 92.** Auditors should include comment in Annual Audit Reports on how the IJB demonstrates that it is meeting its BV duties. Auditors are to report on the IJBs' own arrangements for doing this. It does not require detailed audit work against the BV characteristics.
- 93.** The main contact is **Leigh Johnston** ljohnston@audit-scotland.gov.uk or 0131 626 1977.

Section 4

Contributing to performance audits

Introduction

94. Local auditors contribute to the following outputs produced by PABV:

- Sector overview/annual performance reports
- Performance audit reports
- Impact reports.

Sector overview/annual performance reports

95. As in previous years, the Accounts Commission will publish two overview reports (financial and performance) covering the local government sector, and the Auditor General will publish annual performance reports covering the health and college sectors.

96. The reports use information from the audited accounts and Annual Audit Reports and therefore much of the required information is generally already available from the core audit work. However, local auditors are requested to provide important supplementary information collected as datasets.

97. The specification of datasets will be developed by PABV in consultation with local auditors and they will be provided in good time to allow their completion. Auditors should complete the datasets, ensuring factual information has been agreed with the audited body, before submitting them to Audit Scotland in accordance with paragraph 12. The deadlines for submitting the datasets are set out in the following table:

Datasets should be completed by auditors and factually agreed with bodies

Sector	Report	Contact	Expected input	Submission deadline
Health	NHS in Scotland 2020	Leigh Johnston ljohnston@audit-scotland.gov.uk or 0131 626 1977	1 to 2 days	1 July 2020
Local government	Local government in Scotland: Financial overview 2019/20	Brian Howarth bhowarth@audit-scotland.gov.uk or 0131 625 1930	Part 1: 3 days Part 2: 2 days	8 May 2020 14 August 2020
College	Scotland's colleges 2021	Mark MacPherson mmacpherson@audit-scotland.gov.uk or 0131 625 1828	1.5 days	31 December 2020

Performance audit reports

98. Local auditors have a key role to play in delivering the five-year rolling work programme for performance audits carried out by PABV. The full programme is available on Audit Scotland's [website](#).

99. The tables below set out the performance audit reports that Audit Scotland intends to publish that are anticipated to involve local auditor input during the 2019/20 audit year (and early part of 2020/21):

Title: Waste management	Bodies affected: Local and central government
Objective: To assess how well Scotland is performing in meeting its current and future waste management targets	
Nature of local auditor input: To provide information on local, regional and national waste management arrangements, including cost, investment, volume and Landfill Tax data. Guidance will be provided, if required	
Expected number of days: 2 to 3 days	Timescale of input: October to December 2020
Contact: Graeme Greenhill ggreenhill@audit-scotland.gov.uk or 0131 625 1822	

Title: Skills: planning and investment	Bodies affected: Scottish Funding Council, Scottish Qualifications Authority and Skills Development Scotland
Objective: To examine how the Scottish Government determines, in conjunction with relevant stakeholders, the role the public sector should play in anticipating and developing the skills needed for the economy, and more widely, society, and how it assesses the effectiveness of its funding and interventions	
Nature of local auditor input: Scoping work during spring 2020 will inform any specific input from local auditors of the affected bodies	
Expected number of days: 2 to 3 days	Timescale of input: October to December 2020
Contact: Mark MacPherson mmacpherson@audit-scotland.gov.uk or 0131 625 1828	

100. In addition, as part of the performance audit of digital in local government, auditors of councils are requested to inform Gemma Diamond (gdiamond@audit-scotland.gov.uk or 0131 625 1820) of any significant ICT and digital developments within the council.

Impact reports

101. Auditors of relevant bodies will be requested to provide information during the 2019/20 audit year to support assessing the impact of specified performance audits. Auditors should allow 2 to 3 days for each impact report. The performance audits, expected timescales and contact information are set out in the following table:

Title	Affected bodies	Timescales	Contact
Council's use of arm's length organisations	Councils	March to May 2020	Carol Calder ccalder@audit-scotland.gov.uk or 0131 625 1804
Scottish Fire and Rescue Service: an update	Scottish Fire and Rescue Service	April/May 2020	Mark Roberts mroberts@audit-scotland.gov.uk or 0131 625 1613

Title	Affected bodies	Timescales	Contact
Children and young people's mental health	Councils, IJBs and health boards	April/May 2020	Leigh Johnston ljohnston@audit-scotland.gov.uk or 0131 625 1977
Forth Replacement Crossing	Transport Scotland	April/May 2020	Jillian Matthew jmatthew@audit-scotland.gov.uk or 0131 625 1844

Section 5

Other audit responsibilities

5A Shared Risk Assessment and Joint Scrutiny Planning

- 102.** The Accounts Commission, supported by Audit Scotland, chairs the Strategic Scrutiny Group (SSG). The SSG is made up of scrutiny bodies from across the public sector to make their work on local government more co-ordinated, better targeted and more proportionate to identified risks. The scrutiny bodies involved include the Care Inspectorate, Education Scotland and the Scottish Housing Regulator. More information is available from the [Scrutiny improvement](#) page on the Audit Scotland website.
- 103.** The Shared Risk Assessment (SRA) process was established by the SSG as the vehicle for scrutiny bodies to share intelligence and agree scrutiny risks at each council.
- 104.** Following a review of the SRA, there will be a greater focus in 2019/20 on coordinating and reporting on scrutiny at a national level. An Operational Sub-group, chaired by the Care Inspectorate, is now responsible for producing, updating and reporting on the National Scrutiny Plan (NSP). The group has responsibility for the operational development of the new approach to sharing intelligence, including identifying and responding to any issues in how scrutiny bodies work together or escalating these to SSG if they cannot resolve them.
- 105.** The arrangements for coordinating scrutiny at a local level continue to include a Local Area Network (LAN) for each council. LANs are led by the local auditor of the relevant council, and the results of discussions between the LAN and its council feed into the NSP. Local auditors, in their role as LAN lead, are therefore required to provide a return to the Operational Sub group; further information is provided in revised guidance. More generally, local auditors are expected to work with other scrutiny bodies to facilitate engagement with the council and between each member.
- 106.** Greater clarity about the rationale for scrutiny activity will be provided in the NSP. The Operational Sub-group issued an [NSP](#) on 30 September and will update it every six months (planned for March and September 2020) for local auditors to discuss with the council. It is expected that there will be routine meetings of the LAN members and ongoing engagement between LAN leads and the Operational Sub-group. In addition, a LAN can agree with the relevant council to issue a summary of local risks and issues based on the work of the LAN.
- 107.** Any queries on scrutiny coordination and the SRA process should be directed to **Claire Sweeney**, csweeney@audit-scotland.gov.uk 0131 625 1848 or **Mark McCabe**, mmccabe@audit-scotland.gov.uk 0131 625 1806.

A new Operational Sub-group is responsible for the NSP

Auditors are required to provide a return to inform the NSP

5B Sharing intelligence for health and social care

- 108.** The Sharing Intelligence for Health and Care Group is a mechanism that enables seven national agencies to share and consider intelligence about the quality of health and social care systems across Scotland. More information is available from the [Scrutiny improvement](#) page on the Audit Scotland website. The aim of the group is to support improvement in the quality of health and social care. When any of the agencies has a potentially serious concern about a health and social care system, the group ensures this is shared and acted upon appropriately.
- 109.** Local auditors are required to complete an intelligence return, which is shared with the relevant board, and attend the group meeting when the board

is considered to discuss the key points from their returns. Attendance at the meeting is important as it provides the opportunity to hear intelligence from the other agencies.

- 110.** The meetings are [scheduled](#) to take place on a bi-monthly basis. Audit Scotland will contact the relevant auditor about six weeks before the group meeting to ask for completion of the intelligence return and confirmation of who will attend the meeting. There is generally three weeks to complete and submit the return. It should be submitted in accordance with paragraph 12.
- 111.** The main contact is **Leigh Johnston** ljohnston@audit-scotland.gov.uk or 0131 625 1977.

5C Statutory reports

- 112.** Local auditors are responsible for identifying and highlighting any significant issues arising which might prompt the Auditor General or Controller of Audit to consider preparing a statutory report under [section 22](#) of the PFA Act for the Scottish Parliament's Public Audit and Post-legislative Scrutiny Committee (PAPLS) or [section 102](#) of the 1973 Act for the Accounts Commission. For the avoidance of doubt, the final decision on whether a report is required rests solely with the Auditor General or Controller of Audit.
- 113.** The issues that auditors are expected to highlight include those related to public interest or concern around governance, financial management or sustainability, the management of major projects or programmes, or service performance. They may arise directly from the annual audit process or may be identified during ongoing engagement with the audited body.
- 114.** Local auditors should communicate to Audit Scotland's sector contacts throughout the year all issues with the reasonable potential to result in a statutory report so that the Auditor General or Controller of Audit has early notice of the issues and is in a position to make a decision in good time.
- 115.** The contacts for each sector are listed in the following table:

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

- 116.** Where the Auditor General or Controller of Audit decides that a statutory report is appropriate, the sector contact will agree the extent of the local auditor's contribution, and how much of that is beyond the scope of the core audit. This will generally include contributing to drafting the report and providing briefings at meetings of the Accounts Commission or PAPLS.
- 117.** Firms should base fees on no more than the maximum grade-related daily rates set out at paragraph 16 for work beyond the core scope, except in exceptional circumstances where the use of experts is required.

5D Communicating current issues

- 118.** Timely communication by local auditors of intelligence is important in helping Audit Scotland to maintain a good level of awareness across the public sector and to keep the Auditor General, the Controller of Audit and Accounts Commission informed. Auditors are therefore required to advise Audit Scotland of any emerging issues and risks in audited bodies on an ongoing basis. Auditors should exercise judgement when selecting which issues to

Auditors should highlight issues that could result in a statutory report

Auditors should communicate emerging risks and issues on an ongoing basis

highlight. However, it is considered that a phone call to the relevant sector contact listed at paragraph 115 to discuss whether an issue is of interest would be a good approach.

- 119.** In previous years, auditors have been required to prepare periodic Current Issues Returns. From 2019/20, that requirement has been dispensed with for all sectors except local government. However, this is on the condition that local auditors keep sector contacts up-to-date with noteworthy issues by other less formal means.
- 120.** Current Issue Returns continue to be required for local government as they represent an important source of intelligence for reporting to the Commission's Financial Audit and Assurance Committee (FAAC). The returns should provide a balance of recent developments for information (e.g. changes in leadership, media headlines), and emerging issues. Early reporting is encouraged even if auditors have not undertaken any work at the point of highlighting a particular issue. Auditors should give an indication of the potential scale of the matter and the likely audit work to be undertaken in reaching a conclusion.
- 121.** In order to demonstrate a stronger connection between the emerging audit issue and the approach to risk, auditors should categorise the issues in line with Audit Scotland's current public sector risk profile as follows:
- ineffective leadership and scrutiny
 - challenging financial outlook
 - failure to deliver outcomes and performance
 - public sector reform fails to deliver objectives
 - shortfall in skills and capacity
 - failures around economic drivers
 - departure from the European Union
 - fiscal devolution and welfare powers
 - digital and cyber resilience.
- 122.** Auditors in the local government sector should set out their intended audit responses in the Current Issues Return. This demonstrates that planned work is scheduled in response to the potential risk identified and provides assurance that the matter is being addressed as part of the local audit. The following table provides some examples:

Current Issues Returns are required for the local government sector only

Category	Illustrative reportable issue	Auditor response
Challenging financial outlook	Transformation of services continues to be a key initiative used by the body to deliver its planned savings. With increased digitalisation of services, there was an increase in online customer contacts from 3,000 in 2017 to 80,000 in 2018 and the number is estimated to be 120,000 for 2019. In turn this will lead to a further reduction in the workforce. A voluntary release scheme will be offered in 2019/20 with the aim of reducing staff numbers by a further 260 to be funded by capital receipts.	Evaluate the impact of transformation (e.g. are planned savings being achieved) as part of financial management /sustainability judgements.
Failure to deliver outcomes and performance	Every child aged 11 to 17 will receive a personal iPad as part of the council's new digital education strategy. The council agreed its Inspire Learning strategy in February 2019 which approved the purchase of Apple iPads for every pupil in years P6 to S6 and a sharing ratio of 1:5 for pupils in P1 to P5. The project is estimated to cost £16m over a 10-year contract.	Intelligence provided for information.

Category	Illustrative reportable issue	Auditor response
Shortfall in skills and capacity	In the last current issues return, it was reported that the council's S95 Officer had also taken on the S95 Officer role for the IJB until 31 March 2019 following the unexpected departure of the IJB Chief Finance Officer. A permanent IJB appointment had been anticipated by 31 March 2019, however the council's S95 Officer is now to continue in the IJB role until 30 June 2019. This means she will have responsibility for delivering both the IJB and council annual accounts.	To consider as part of an overall judgement on financial capacity.

123. Auditors in the local government sector must submit completed Current Issues Returns (or confirm a nil return if there is nothing new to report) for each body in accordance with paragraph 12. In order to meet the FAAC meeting schedule, the returns should be submitted by the following dates:

- 17 January 2020
- 20 March 2020
- 7 August 2020
- 23 October 2020 (any issues included in the Annual Audit Report do not have to be repeated, though any updates on those issues should be provided).

124. In advance of each submission date:

- ASG auditors will be notified by email that a template is available on SharePoint for completion
- firms will receive a template by email for completion.

5E Grant claims and returns

Local government

125. Local government auditors are required to provide assurance on approved grant claims and other financial returns prepared by councils. A [TGN](#) planned for publication in March 2020 will specify the approved 2019/20 returns that require to be certified, but no changes from 2018/19 are anticipated. Auditors should contact Professional Support if a council requests the certification of a return not included on this list. New returns are added only after agreement with the relevant paying department/agency.

126. A [TGN](#) on each of the approved returns will provide guidance on its certification. These will confirm the certification and submission deadlines.

127. The main contact is **Anne Cairns**, acairns@audit-scotland.gov.uk, 0131 625 1926.

Auditors should certify only those returns on the approved list

Other sectors

128. Expected fees set by AQA for sectors other than local government do not provide for certifying any grant claims or returns. However, auditors may be approached by bodies with requests for such work. In such cases, auditors should have regard to the following guidelines:

- Certification by internal audit should be encouraged where the paying agency finds this acceptable.
- Where certification by an independent accountant is required, but not specifically the external auditor, bodies may prefer to arrange to have the work carried out by a local firm of accountants.
- Where certification by the external auditor is required, in a change from previous years, auditors should seek approval from AQA to undertake the work (including any pre-existing returns).

Prior approval is required for certifying returns in sectors other than local government

129. The fee arrangements for such non-audit services (as explained in the [AQA guidance](#)) are a matter for the body and the auditor. The work should not be included in Annual Audit Plans, and firms should bill fees directly to the body. However, in order for AQA to monitor the total fee value of non-audit services, the fee income earned should be reported in the final fee claim progress report.

5F Whole of government accounts

130. Local auditors are required to provide assurance on Whole of Government Accounts (WGA) returns for 2019/20 prepared by local government bodies, non-departmental public bodies (NDPBs) and the Scottish Government by:
- evaluating returns over a prescribed threshold
 - preparing (partially in the case of bodies below the threshold) and submitting an Assurance Statement to the National Audit Office.
131. Professional Support will publish a [TGN](#) in July 2020 which will set out the prescribed threshold, specified testing procedures, and required submission deadlines which auditors are required to follow. Auditors should work towards a deadline of 28 September 2020 unless advised by Professional Support to the contrary.
132. The main contact is **Neil Cameron**, ncameron@audit-scotland.gov.uk 0131 625 1797.

5G Correspondence

133. Audit Scotland's Correspondence Team shares all correspondence it receives from the public on an audited body with the relevant local auditor to ensure they are aware of the issues of concern that have been raised. The Correspondence Team, in conjunction with the relevant auditors, decides what action to take and aims to provide a response within 30 days.
134. Local auditors may be required to carry out preliminary enquiries as part of core audit activity so that the Correspondence Team can provide an appropriate response.
135. Where a case requires work over and above that which is expected within the core audit, the Correspondence Team will agree with the relevant auditor the involvement required. The scope, number of days, and resources required for the involvement must be agreed with the Correspondence Team in advance of work commencing.
136. Any fee agreed for work in addition to that expected within the core audit should be no more than the maximum grade-related daily rates set out at paragraph 16, except in exceptional circumstances where the use of experts is required.
137. More information about how Audit Scotland handles correspondence can be found on the [Issues of concern](#) page on the Audit Scotland website.
138. The main contact is **Angela Canning**, acanning@audit-scotland.gov.uk, 0131 625 1835.

5H Statutory objections

139. Statutory objections refer to the right of an interested person under [section 101](#) of the 1973 Act to object to the unaudited annual accounts of a local government body.
140. Auditors should consider and report on any objections received in accordance with a [TGN](#) from Professional Support that will be provided in February 2020.
141. The consideration of objections is part of core audit work. However, as it is not possible to anticipate how many (if any) are likely to be received in any year, there is no allowance for this work included in the construction of

expected fees. Auditors should refer to section 3 of the [AQA guidance](#) for information in this regard.

142. The main contact is **Paul O'Brien**, pobrien@audit-scotland.gov.uk or 0131 625 1795.

5I Fraud Returns

143. The requirement for auditors of local government bodies and NDPBs to submit [Fraud Returns](#) to Professional Support has been extended from 2019/20 to apply to **all** audited bodies.
144. Fraud Returns should be prepared and submitted in accordance with [guidelines](#) provided by Professional Support and on the [returns](#) themselves. Auditors should put arrangements in place to be notified of all frauds:
- involving the misappropriation or theft of assets or cash which are facilitated by weaknesses in internal control
 - over £5,000.
145. Professional Support will then disseminate the information on cases to other auditors and audited bodies by including them in the quarterly Technical Bulletins. In order to allow inclusion in the earliest possible Technical Bulletin, auditors should submit completed fraud returns in accordance with paragraph 12 by the following deadlines:

Quarter 1	Quarter 2	Quarter 3	Quarter 4
30 November 2019	28 February 2020	31 May 2020	30 August 2020

146. In addition to inclusion in the Technical Bulletin, the fraud cases reported during 2019/20 will also be published in an annual report which will be published on the [counter-fraud hub](#) of Audit Scotland's website after the year end.
147. The main contact is **Anne Cairns**, acairns@audit-scotland.gov.uk, 0131 625 1926.

5J Anti-money laundering

148. [The Money Laundering, Terrorist Financing and Transfer of Funds \(Information on the Payer\) Regulations 2017](#) impose an obligation on the Auditor General to inform the National Crime Agency (NCA) if she knows or suspects that any person has engaged in money laundering or terrorist financing. Audit Scotland extended this responsibility to the Accounts Commission in respect of local government.
149. Auditors should ensure they have arrangements in place to be informed of any suspected instances of money laundering at audited bodies. Any such instances should be advised to Professional Support immediately. Professional Support will then discuss the matter with the relevant auditor, establish whether it is reportable, obtain sufficient details, and report to the NCA on behalf of the Auditor General or Accounts Commission.
150. The main contact in Professional Support is **Anne Cairns**, acairns@audit-scotland.gov.uk, 0131 625 1926.

5K National Fraud Initiative (NFI)

151. The following bodies are participating in the 2018/19 NFI:
- all councils, Strathclyde Partnership for Transport, and Tayside Contracts
 - central government bodies specified in this [list](#)
 - all health boards except for the Mental Welfare Commission
 - all colleges.

Auditors in all sectors should report instances of fraud

Auditors should advise of any suspected money laundering

- 152.** Participating bodies received matches for investigation in January 2019. All recommended matches plus any further matches based on findings and the risk of error or fraud should have been investigated by 30 September 2019 and the results recorded on the NFI system.
- 153.** However, some investigations may continue beyond this date. Where that is the case, auditors should continue to monitor their audited bodies' participation and progress during 2019/20 and, where appropriate, include references to NFI in their Annual Audit Reports.
- 154.** Auditors must complete a questionnaire for each body participating in the NFI. Auditors will be provided with the questionnaire by 31 December 2019 and should complete and submit it by 28 February 2020 in accordance with paragraph 12. The information provided will be used in Audit Scotland's next NFI report due to be published in summer 2020.
- 155.** The main contact is **Anne Cairns**, acairns@audit-scotland.gov.uk, 0131 625 1926.

Auditors must submit an NFI questionnaire

5L Contributing to TGNs

- 156.** Professional Support will consult auditors to obtain their views on TGNs before they are published. It is important that auditors take this opportunity to offer their views on the guidance so that it represents an agreed position. Auditors are expected to contribute effectively to the consultation process based on their practical experience of delivering audits of public bodies.
- 157.** The main contact is **Paul O'Brien**, pobrien@audit-scotland.gov.uk, 0131 625 1795.

Auditors are expected to contribute to TGN consultations

5M Housing benefit performance audits

- 158.** A small team of auditors within Audit Scotland carry out a programme of housing benefit performance audit (HBPA) work on behalf of the Accounts Commission.
- 159.** In view of the changes to the social security landscape, the Commission has decided to take a more strategic approach to HBPA from 2019/20. This will shift the balance of work from reports on the risks at individual councils towards more cross-cutting thematic reviews that look at risks across councils. There are two such thematic reviews planned for 2019/20; one on overpayments, and the other on resourcing models.
- 160.** In addition, the audit team is taking a more risk-based and proportionate approach to changes in performance at an individual council. Two reviews of individual councils are planned to take place during 2019/20. The audit team will discuss council selection with local auditors prior to final decisions on reviews.
- 161.** The main contact is **David Sim**, dasim@audit-scotland.gov.uk or 0131 625 1786.

5O Shared systems and functions

- 162.** The appendix to auditors' letters of appointment explains how the audit of shared systems or functions should be dealt with under Fee for the Audit. Audit Scotland strongly encourages auditors to seek efficiencies and avoid duplication of effort by liaising closely with other auditors, agreeing an appropriate division of work and sharing audit findings. The arrangements referred to below merit special mention.

Auditors should liaise on the audit of shared systems

Pension funds

- 163.** Assurances may be sought between auditors of pension funds and auditors of employing bodies in respect of the calculation of pension contributions and reliability of source data passed to actuaries.

- 164.** Professional Support piloted a protocol in 2018/19 for requesting and providing the required assurances. The protocol will be reviewed in consultation with auditors to reflect their experience of applying it in practice with the intention of either providing an improved version for use in 2019/20 or dispensing with it.
- 165.** The main contact is **Paul O'Brien**, pobrien@audit-scotland.gov.uk or 0131 625 1795.

Integration joint boards

- 166.** IJB annual accounts are based on financial information provided by the constituent councils and health board. IJB auditors require assurances from the auditor of the health board in respect of the controls in place at the health board and the amounts included in the IJB accounts.
- 167.** Professional Support intends developing in consultation with auditors a protocol by which the required assurances for 2019/20 can be requested and provided.
- 168.** The main contact is **Neil Cameron**, ncameron@audit-scotland.gov.uk or 0131 625 1797.

Service auditor reports on health boards

- 169.** Assurance reports are prepared by service auditors in the health sector under ISA (UK) 402 covering the national systems/arrangements summarised in the following table:

Shared service	Service auditor report
<p>Primary care payments</p> <p>This arrangement covers payments made by NHS National Services Scotland (NSS) to primary care practitioners on behalf of health boards for general medical services, general dental services, general ophthalmic services and general pharmaceutical services.</p>	<p>NSS procures a service auditor report from KPMG which will be issued in May 2020 to the health boards concerned. The external auditor of the NSS (Mark Taylor, Audit Scotland) will review the work of the service auditor and report the results of the review to other health board external auditors.</p>
<p>National IT contract</p> <p>This contract covers the services provided by ATOS Origin Alliance e.g. controls over the server supporting eFinancials.</p>	<p>NSS procures a service auditor report from KPMG which will be issued in May 2020 to the health boards concerned.</p>
<p>National Single Instance (NSI) eFinancials</p> <p>NHS Ayrshire & Arran host this eFinancials service including the Real Asset Management system on behalf of all Scottish health boards.</p>	<p>The board procure a service auditor report from BDO which will be issued in May 2020 to the health boards concerned.</p>

- 170.** Other service auditor reports may be provided by boards to cover arrangements they have in place with other individual boards. For example, NSS issues a service report to NHS Healthcare Improvement Scotland, NHS 24 etc. for payroll services they provide.
- 171.** Auditors of user bodies should consider the service auditor assurance reports when evaluating health board systems.
- 172.** The main contact is **Neil Cameron**, ncameron@audit-scotland.gov.uk or 0131 625 1797.

Scottish Government systems

- 173.** The Scottish Government includes all agencies within its consolidated accounts. The auditor of the Scottish Government will provide assurance to relevant auditors on the high-level controls within the Government's main systems (SEAS, Payroll) through the management/interim report on the Scottish Government audit expected to be issued in May 2020.
- 174.** The main contact is **Michael Oliphant** - moliphant@audit-scotland.gov.uk, 0131 625 1731.

5P Section 106 charities

- 175.** The audit appointment of council auditors includes the audit of any trust funds falling within [section 106](#) of the 1973 Act that are registered as charities with the Office of the Scottish Charity Regulator (section 106 charities). Due to the size and relative simplicity of the charities, there are a number of differences from normal requirements. For example:
- The expected fee set by AQA does not include the cost of auditing section 106 charities. Auditors should agree the fees for such audits at the same time as agreeing the fee for the council, and report them separately in the Annual Audit Plan.
 - Auditors do not need to prepare separate Annual Audit Reports for section 106 charities.
- 176.** Some councils continue to administer a significant number of section 106 charities. Professional Support will provide information on numbers in a [TGN](#) in November 2019. In order to reduce the number of statements of account that require to be audited, auditors should strongly encourage those councils to:
- reorganise their charities through merging or winding them up
 - make full use of the connected charities provisions under Regulation 7 of [Charities Regulations](#).
- 177.** Councils may request that auditors carry out audits for charities where section 106 does not apply. Where auditors accept such a request, they should treat this as non-audit services (explained in the AQA guidance).
- 178.** The main contact point is **Paul O'Brien**, pobrien@audit-scotland.gov.uk, 0131 625 1795.

Section 6

Publication of audit outputs

Introduction

179. Auditors must submit the Annual Audit Report and all other outputs from the audit to Audit Scotland.

Submission deadlines for Annual Audit Report

180. The Annual Audit Report should be submitted in accordance with paragraph 12. The submission deadlines (which are the same as for the Independent Auditor's Reports) are set out in the following table:

Sector	Submission deadlines
Local government	30 September 2020
Central government (Scottish Water)	30 October 2020 (12 June 2020)
Health	30 June 2020
College	31 December 2020

Auditors should contact AQA if the deadlines cannot be met

Submission on management/interim reports

181. Auditors should submit management/interim reports to AQA as soon as the final version has been considered by relevant committees in audited bodies.

Completion of audit

182. Auditors must submit all audit outputs for 2019/20 to Audit Scotland before AQA will deem that the audit is complete.

183. Auditors should contact AQA if they are unable to meet the deadlines, explain the reason for the delay and provide the expected date by which the report will be submitted.

184. Auditors will not be held responsible for late submission if they can demonstrate that the delay was caused by audited bodies, and auditors have taken all practicable steps to encourage bodies to respond to draft reports and provide comments for action plans. Auditors should include a reference in their Annual Audit Reports if bodies are consistently late in responding to draft reports.

185. In order to comply with Audit Scotland's accessibility requirements, all submitted outputs must be in a pdf or word format. Scanned documents do not comply with these requirements and are therefore not acceptable.

The audit is not complete until ALL outputs in the required format have been submitted

Publication of audit outputs

186. The following audit outputs will be published on Audit Scotland's website for each audited body:

- Annual Audit Plan
- management/interim reports

- Annual Audit Report
- Any other reports that are specified in the Annual Audit Plan (or have been completed as a result of an issue or risk identified after the plan has been agreed), except the Independent Auditor's Report and reports on grant claims and WGA etc.

Sensitive or contentious reports

187. It is important that Audit Scotland is made aware of any reports of a sensitive nature or expected to be contentious so that AQA and the Communications Team can prepare for any potential media interest. Auditors should contact media@audit-scotland.gov.uk to promptly advise of any such reports. For example, this could include:

- reports on bodies that are, or have been, the subject of significant political or media (local or national) attention
- reports on subjects such as weak governance, poor financial management, financial difficulties, or major projects and contracts (including ICT)
- modified opinions on the annual accounts.

Contact point

188. The main contact is **Owen Smith**, osmith@audit-scotland.gov.uk, 0131 625 1914.

Appendix

Summary of outputs and deadlines

Key outputs and dates

The following tables summarise the audit outputs which auditors are required by this guidance or [AQA guidance](#) to submit to Audit Scotland in respect of 2019/20 audits. In this context, the meaning of 'submit' is set out in the following table:

Auditor	Submission
ASG	Save in the appropriate audited body's Financial Audit - Outputs library (or Key Client Documents for the audited accounts) on SharePoint and email a hyperlink to outputs@audit-scotland.gov.uk
Firms	Email to outputs@audit-scotland.gov.uk

Local government sector

Date	Activity	Contact	Section
08/11/19	Submit appointment lead and manager contact details, and audited body billing details	Owen Smith	1
30/11/19	Submit Fraud Return 1	Anne Cairns	5I
06/12/19	Submit initial fee claim (firms)	Owen Smith	AQA guidance
06/01/20	Submit December progress report (firms)	Owen Smith	AQA guidance
17/01/20	Submit Current Issues Return 1	Anne MacDonald	5D
28/02/20	Submit Fraud Returns 2	Anne Cairns	5I
28/02/20	Submit NFI questionnaire	Anne Cairns	5K
20/03/20	Submit Current Issues Return 2	Anne MacDonald	5D
31/03/20	Submit Annual Audit Plan	Owen Smith	1
31/03/20	Submit BVAP	Fiona Mitchell-Knight	3
03/04/20	Submit March progress report (firms)	Owen Smith	AQA guidance
08/05/20	Submit dataset part 1 for financial overview	Brian Howarth	4
31/05/20	Submit Fraud Returns 3	Anne Cairns	5I
03/07/20	Submit June progress report (firms)	Owen Smith	AQA guidance
31/07/20 ¹	Submit report on EMA claim to SG	Anne Cairns	5E

Date	Activity	Contact	Section
07/08/20	Submit Current Issues Return 3	Anne MacDonald	5D
14/08/20	Submit dataset part 2 for financial overview	Brian Howarth	4
30/08/20	Submit Fraud Returns 4	Anne Cairns	5I
28/09/20 ¹	Submit WGA assurance statement and return to NAO	Neil Cameron	5G
30/09/20	Express opinions on annual accounts	Paul O'Brien	2
30/09/20	Submit Annual Audit Report and one set of audited accounts	Owen Smith	2&6
03/10/20	Submit September progress report (firms)	Owen Smith	AQA guidance
09/10/20 ¹	Submit report on NDR return to SG	Anne Cairns	5F
23/10/20	Submit Current Issues Return 4	Anne MacDonald	5D
30/11/20 ¹	Submit report housing benefit subsidy claim to DWP	Anne Cairns	5F
30/11/20	Submit all remaining outputs of the audit	Owen Smith	6
30/11/20	Submit final fee claim and final progress report (firms)	Owen Smith	AQA guidance

Notes

¹ Dates are indicative. Auditors should refer to the relevant technical guidance note for the precise date.

² In addition, auditors are required to communicate emerging sectoral and technical risks and issues; potential statutory report subjects; information on money laundering; information on performance audits and impact reports; and consultation comments on TGNs.

Central government sector

Date	Activity	Contact	Section
08/11/19	Submit appointment lead and manager contact details, and audited body billing details	Owen Smith	1
30/11/19	Submit Fraud Returns 1	Anne Cairns	5I
06/12/19	Submit initial fee claim (firms)	Owen Smith	AQA guidance
06/01/20	Submit December progress report (firms)	Owen Smith	AQA guidance
28/02/20	Submit Annual Audit Plan	Owen Smith	1
28/02/20	Submit Fraud Returns 2	Anne Cairns	5I
28/02/20	Submit NFI questionnaire	Anne Cairns	5K
03/04/20	Submit March progress report (firms)	Owen Smith	AQA guidance
31/05/20	Submit Fraud Returns 3	Anne Cairns	5I
03/07/20	Submit June progress report (firms)	Owen Smith	AQA guidance
30/08/20	Submit Fraud Returns 4	Anne Cairns	5I
28/09/20 ¹	Submit WGA assurance statement and return to NAO, where required	Neil Cameron	5F
03/10/20	Submit September progress report (firms)	Owen Smith	AQA guidance
30/10/20 ²	Express opinions on annual accounts	Paul O'Brien	2
30/10/20 ² & ³	Submit Annual Audit Report and two sets of audited accounts	Owen Smith	2&6
30/10/20 ²	Submit all remaining outputs of the audit	Owen Smith	6
30/10/20 ²	Submit final fee claim & final progress report (firms)	Owen Smith	AQA guidance

Notes

¹ Date is indicative. Auditors should refer to the relevant technical guidance note for the precise date.

² The deadline for Scottish Water is 12/06/20.

³ Three sets of audited accounts for Scottish Police Authority.

⁴ In addition, auditors are required to communicate emerging sectoral and technical risks and issues; potential statutory report subjects; information on money laundering; information on performance audits and impact reports; and consultation comments on TGNs.

Health sector

Date	Activity	Contact	Section
08/11/19	Submit appointment lead and manager contact details, and audited body billing details	Owen Smith	AQA guidance
30/11/19	Submit Fraud Returns 1	Anne Cairns	5I
06/12/19	Submit initial fee claim (firms)	Owen Smith	AQA guidance
06/01/20	Submit December progress report (firms)	Owen Smith	AQA guidance
28/02/20	Submit Annual Audit Plan	Owen Smith	1
28/02/20	Submit Fraud Returns 2	Anne Cairns	5I
28/02/20	Submit NFI questionnaire	Anne Cairns	5K
03/04/20	Submit March progress report (firms)	Owen Smith	AQA guidance
31/05/20	Submit Fraud Returns 3	Anne Cairns	5I
30/06/20	Express opinions on annual report and accounts	Paul O'Brien	2
30/06/20	Submit excel version of audited accounts and consistency certificate	Owen Smith	2
30/06/20	Submit Annual Audit Report and two sets of audited accounts	Owen Smith	2&6
01/07/20	Submit dataset for annual performance report	Leigh Johnston	4
01/07/20	Submit all remaining outputs of the audit	Owen Smith	6
03/07/20	Submit final fee claim and June progress report (firms)	Owen Smith	AQA guidance
31/08/20	Submit Fraud Returns 4	Anne Cairns	5I

Note

¹ In addition, auditors are required to communicate emerging sectoral and technical risks and issues; potential statutory report subjects; information on money laundering; information on performance audits and impact reports; and consultation comments on TGNs.

College sector

Date	Activity	Contact	Section
06/01/20	Submit appointment lead and manager contact details, and audited body billing details	Owen Smith	1
07/02/20	Submit initial fee claim (firms)	Owen Smith	AQA guidance
28/02/20	Submit Fraud Returns 1	Anne Cairns	5I
28/02/20	Submit NFI questionnaire	Anne Cairns	5K
03/04/20	Submit March progress report (firms)	Owen Smith	AQA guidance
31/05/20	Submit Fraud Returns 2	Anne Cairns	5I
30/06/20	Submit Annual Audit Plan	Owen Smith	1
03/07/20	Submit June progress report (firms)	Owen Smith	AQA guidance
31/08/20	Submit Fraud Returns 3	Anne Cairns	5I
03/10/20	Submit September progress report (firms)	Owen Smith	AQA guidance
31/11/20	Submit Fraud Returns 4	Anne Cairns	5I
31/12/20	Express opinions on annual accounts	Paul O'Brien	2
31/12/20	Submit Annual Audit Report and two sets of audited annual accounts	Owen Smith	2&6
31/12/20	Submit dataset for annual performance report	Mark MacPherson	4
31/12/20	Submit all remaining outputs of the audit	Owen Smith	6
07/01/21	Submit final fee claim and final progress report (firms)	Owen Smith	AQA guidance

Note

1 In addition, auditors are required to communicate emerging risks and issues; potential statutory report subjects; information on money laundering; information on performance audits and impact reports; and consultation comments on TGNs.

Guidance on planning 2019/20 audits

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