

Code of Audit Practice 2020

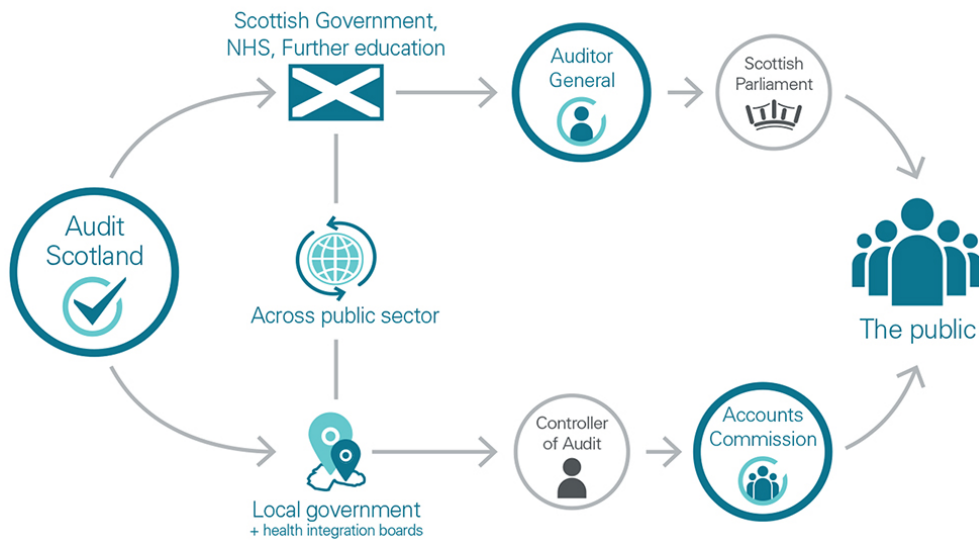
Consultation draft



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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Foreword

This Code of Audit Practice (the Code) defines the independent audit of public bodies in Scotland. All auditors appointed by the Auditor General for Scotland and the Accounts Commission and working on their behalf are required to follow the Code.

Independent external audit is an essential feature of the public sector. It supports democratic scrutiny of how public money is raised and spent and the outcomes achieved. Auditors are independent of the bodies they audit and report their findings in public. In that way, auditors provide independent assurance and promote improvement.

Public bodies are responsible for safeguarding public finances, protecting against fraud and other irregularities, making best use of their resources and governing their actions. Auditors identify appropriate evidence, make judgements and report their conclusions on how public bodies have discharged those responsibilities.

Auditors assess the delivery of policies but not the merits of policy. Other scrutiny in the public sector involves regulators, who monitor business activities to ensure they are fair and effective; and inspectors, who assess compliance with regulations and professional standards.

It is a challenging time for public bodies and services in Scotland. They continue to face tight finances and increasing demands for services, alongside new tax and social security powers, with related responsibilities, opportunities and risks. Economic performance and complex, long-term challenges such as climate change require concerted action and innovative solutions.

More widely, the auditing profession is under close scrutiny. Corporate failures have led commercial audit to be challenged. Recommendations to strengthen independence and quality are coming to the fore and debate on the scope and expectations of audit is ongoing. This Code has been developed with the implications for public audit in mind and to maintain confidence in the audit of public bodies in Scotland.

The public audit regime set out in this Code includes strong safeguards of independence, objectivity and audit quality. Through this, the Auditor General for Scotland and the Accounts Commission secure audits which provide independent assurance and improve services and how public money is used.



Caroline Gardner
Auditor General for
Scotland



Graham Sharp
Accounts
Commission
Chair

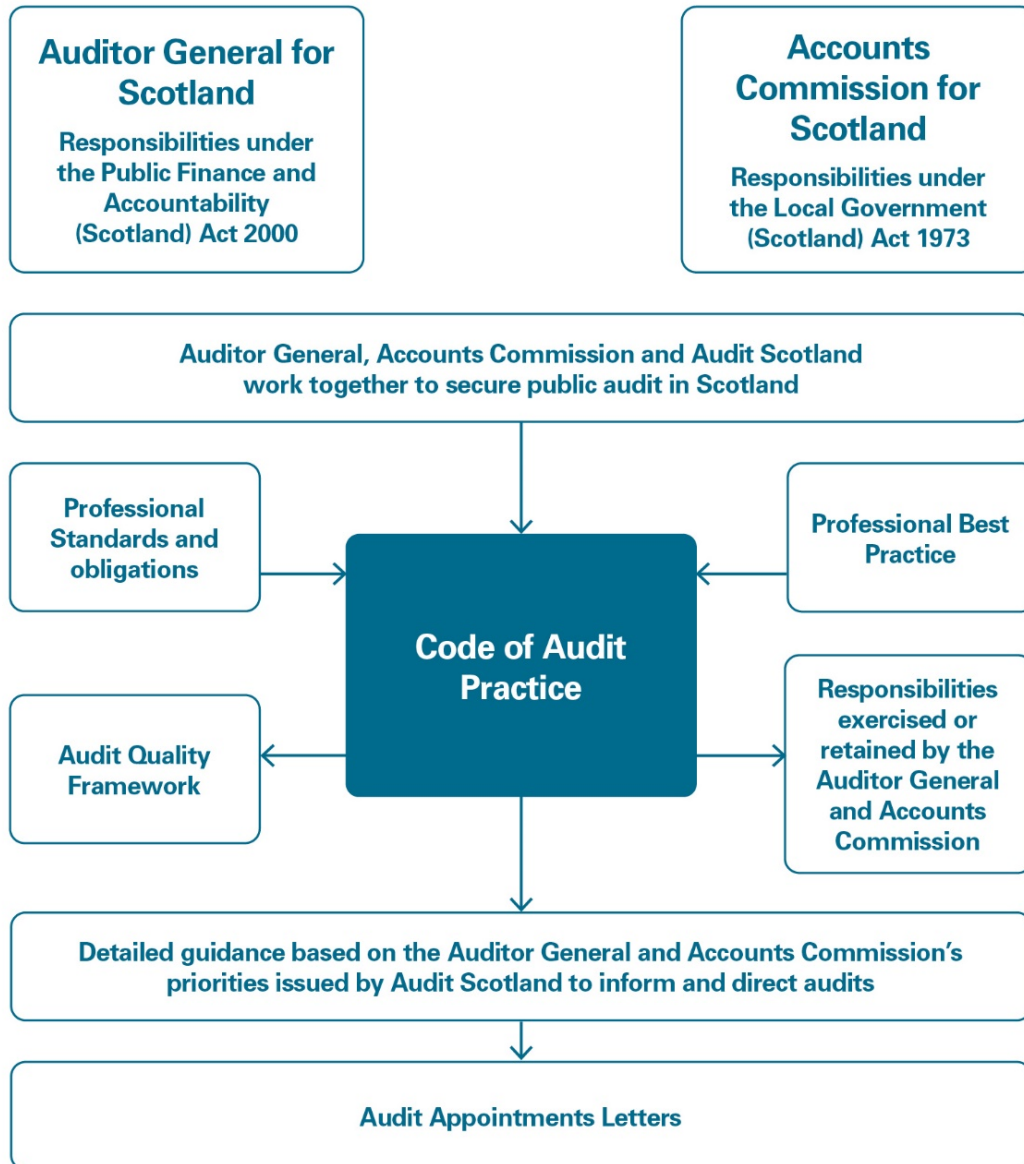
Section 1

Purpose of the Code

1. This Code of Audit Practice (the Code) describes the high level, principles-based purpose and scope of public audit in Scotland. It replaces the Code issued in June 2016 and comes into effect for audits of financial years starting on or after 1 April 2021. The Code applies to the audit of over 200 public bodies which spend public money, including the Scottish Government, central government bodies, the NHS in Scotland, local government bodies and further education colleges.
2. Public audit in Scotland is founded on the statutory responsibilities of the Auditor General for Scotland and the Accounts Commission. They work together in the public interest to create strong and effective public audit which supports accountability and provides independent assurance that public money is spent properly and well.
3. The Code sits at the centre of the arrangements for public audit in Scotland as shown in the diagram overleaf ([Exhibit 1, page 6](#)). The Code reflects the legal requirements for audit. It also reflects the professional and ethical standards which auditors observe. It covers the audit of accounts as well as the wider-scope audit required by the Auditor General and the Accounts Commission. The Code also sets out the arrangements which ensure auditor independence and the arrangements for monitoring audit quality.
4. It is a condition of their audit appointment that auditors comply with the Code and guidance issued under the Code. Auditors advise Audit Scotland about any intended significant departures from this Code or related guidance. The Code applies to all audit work undertaken on behalf of the Auditor General and the Accounts Commission.

Exhibit 1

The Code of Audit Practice sits at the centre of the arrangements for public audit in Scotland



Section 2

Principles and scope of public audit

5. The Code recognises the public's high expectations of audit in the accountability for the use of public funds. Independent audit helps maintain public confidence in the stewardship of public funds and the delivery of public services.
6. The principles which underpin public audit in Scotland are shared by the main public audit agencies involved in public audit in the UK. These principles are:
- the independent appointment of auditors
 - the wider scope of public audit
 - public reporting of audit findings and recommendations
 - being responsive to changing environments and audit risks.
7. The annual audit of accounts is at the core of public audit.
8. Recognising that public money is involved, the Auditor General and the Accounts Commission require the scope of public audit to go further to include conclusions on other aspects of public bodies' arrangements and performance. This includes, for example, conclusions relating to financial sustainability and governance.
9. Local government auditors have a statutory duty to consider whether the local authority has made proper arrangements for Best Value and community planning. The Accounts Commission requires the wider-scope work to reflect that responsibility. The Accounts Commission's approach to Best Value auditing is set out in this Code.
10. The Code is designed to ensure that public audit adds value to audited bodies and helps the public and their elected representatives to understand how public bodies use their resources in the public interest.
11. In performing a value-added audit, auditors demonstrate that they understand the environment in which public bodies operate. Audit work is tailored to the circumstances of the audited body and the audit risks identified, and is proportionate and risk based.
12. Audit is not a substitute for the audited body's responsibility for putting in place appropriate arrangements for the proper conduct of its obligations and for ensuring that public money is safeguarded, properly accounted for and used effectively.

Independent appointment of auditors

13. It is a fundamental principle of the audit regime in Scotland that auditors are independent of the bodies they audit.
14. The Auditor General or the Accounts Commission appoint the auditors and only the Auditor General or the Accounts Commission can dismiss an auditor or change an audit appointment. Auditors are therefore independent of the bodies they audit. This is a unique feature and strength of public sector audit. It is an important safeguard that helps ensure that auditors are free from any potential or perceived conflict of interest or other pressure that may compromise their judgement and reporting.
15. Audit appointments are made for a period of five years (with the option to extend for a further two years). Public audit in Scotland supports a mixed-market approach to audit appointments. This involves auditors who are employees of Audit Scotland and auditors from accounting firms and ensures a sustainable supply of cost-effective, high-quality audits.

16. All auditors involved in audit work for the Auditor General and the Accounts Commission are required to comply with the recognised ethical standard for auditors and relevant professional or statutory guidance.

17. The provision of non-audit services by appointed auditors could compromise an auditor's actual or perceived independence. The Auditor General and the Accounts Commission ensure that any proposed non-audit service is considered in advance of the work starting. The approval process for non-audit services includes the application of the ethical standard and is monitored and reported through the [Audit Quality Framework](#).

Wider scope of public audit

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

19. In the public sector there are specific fraud risks, including those relating to tax receipts, welfare benefits, grants and other claims made by individuals and organisations. The public body is responsible for implementing effective systems of internal control, including internal audit, which safeguard public assets and prevent and detect fraud, error and irregularities, bribery and corruption.

20. Auditors assess the risk of fraud or material misstatement as part of the audit of the accounts. The wider-scope audit requires auditors to consider the audited body's arrangements to prevent and detect fraud, error and irregularities, bribery and corruption. The auditor reports on the adequacy of those arrangements.

Public reporting of findings and recommendations

21. Audit findings are supported by evidence and explanations which provide the basis for clear judgements and conclusions on how well the audited body has discharged its responsibilities. Auditors make appropriate and proportionate recommendations for improvement where significant risks are identified.

22. Auditors use their judgement when deciding how and when to report their findings and apply the following principles to maximise public accountability and transparency:

- Timely reporting so that when matters arise they can be considered and acted on promptly and brought to the attention of the audited body and the public.
- Using clear and concise language which audited bodies and the public can understand.
- Being open and transparent about the scope and nature of the work carried out and the conclusions reached.
- Reflecting wider-scope conclusions, including in relation to Best Value where appropriate, as specified in this Code.
- Reporting in public, using the most appropriate form of reporting to ensure the information is accessible.
- Setting out clearly to whom the report is addressed and who is responsible for taking action in response to findings.
- Making recommendations that:
 - are useful, specific and practicable
 - are proportionate and take account of the expected costs of implementation
 - include management responses and actions taken or proposed, including target dates and responsibility for action
 - are followed up at appropriate intervals to assess progress.

23. The Code recognises that public bodies may operate and deliver services through partnerships, arm's-length external organisations (ALEOs) or other forms of joint-working with other public, private or third-sector bodies. Auditors in the public sector have a right to information held by audited bodies, group entities and others to ensure that they are able to follow, review and assess how public money is spent and to report in the public interest.

Responsive to changing environments and audit risks

24. As public service delivery models change, public audit needs to develop so that it remains relevant to the needs of those holding public bodies to account, the public and other stakeholders. Being responsive to changing environments and emerging risks helps ensure audit continues to be a credible and relevant source of independent insight and supports improvement.

25. The Code sets out the high-level approach to the audit of public bodies in Scotland over the next five years. It is underpinned by detailed guidance to auditors that reflects emerging risks and other matters which affect public audit.

Audit quality

26. The partnership of independent auditors from Audit Scotland and from the private-sector firms in the mixed audit delivery model brings together a wealth of specialist experience. It supports public audit across Scotland and works with UK and Scottish professional regulators and others to promote and strengthen public audit.

27. Comprehensive quality arrangements are set out in the [Audit Quality Framework](#) which applies to all audit work and providers, including auditors employed by Audit Scotland and the private-sector firms. The approach includes multiple levels of independent assurance, including the internal policies and procedures put in place by auditors to review the quality of their own work.

28. The Audit Quality Framework includes a programme of independent quality assessments of all the appointed auditors, by an external, independent professional regulatory body. This supports the delivery of audit work which meets the highest professional and ethical standards.

29. Audit Scotland maintains the Audit Quality Framework through a team which is independent of auditors. The team assesses audit quality and provides assurance through independent reporting to the Auditor General and the Accounts Commission. Results are measured and presented to highlight good practice and areas for improvement. This supports continuous improvement in audit quality.

Section 3

Responsibility for public audit in Scotland

30. Under legislation, the Auditor General and the Accounts Commission are responsible for securing the independent audit of the accounts and performance of public sector bodies in Scotland. They work together using this single Code and, by looking at issues across boundaries, maximise the effectiveness and added value of audit work. This is increasingly important as public bodies move towards greater levels of partnership working and integrated delivery.

The Auditor General for Scotland

31. The Auditor General is an independent Crown appointment, made on the recommendation of the Scottish Parliament. The Auditor General is independent and not subject to the control of any member of the Scottish Government or the Parliament.

32. The Auditor General is responsible under the Public Finance and Accountability (Scotland) Act 2000 for appointing independent auditors to audit the accounts of most public bodies in Scotland, except for the local government sector, and for reporting on their financial health and performance. The following bodies are within the remit of the Auditor General:

- the Scottish Government, its executive agencies and its non-ministerial departments
- Scottish Parliamentary Corporate Body and Commissioners and ombudsmen
- non-departmental public bodies
- National Health Service bodies
- further education colleges
- some public corporations.

33. Audited accounts and reports by the Auditor General are sent to Scottish Ministers to be laid before the Scottish Parliament.

34. The Auditor General may initiate examinations into the economy, efficiency and effectiveness with which relevant public bodies have used resources in discharging their functions.

The Accounts Commission for Scotland

35. The Accounts Commission is an independent public body. Its members are appointed by Scottish Ministers to hold local government and associated bodies to account. The Accounts Commission was established under the Local Government (Scotland) Act 1973. The following bodies are within the remit of the Accounts Commission:

- Councils
- Integration Joint Boards
- Local authority committees, joint committees and joint boards, including committees involved in administering local government pension funds
- Trustees for charities, foundations, mortification or other purpose where local authority members are appointees
- Transport Partnerships created under the Transport (Scotland) Act 2005.

36. The Accounts Commission has five principal responsibilities:

- Securing the external audit of local authorities' accounts and the audit of Best Value and community planning.
- Considering reports made by the Controller of Audit; making recommendations to Scottish Ministers and to local authorities; and advising Scottish Ministers on matters relating to the accounting of local authorities.
- Carrying out or promoting national performance audits to improve economy, efficiency and effectiveness, improving financial or other management and in relation to Best Value.
- Issuing directions to local authorities which set out certain performance information that they are required to publish.
- Coordinating the scrutiny of local government in Scotland.

37. The Accounts Commission has the power to make findings and reports, to make recommendations to Scottish Ministers and audited bodies, and to hold public hearings. In specific circumstances involving illegal expenditure or financial loss, the Accounts Commission may impose sanctions including censure, suspension or disqualification of councillors from office.

Controller of Audit

38. Under statute, the Accounts Commission appoints a Controller of Audit to consider the results of the audit of accounts, the wider-scope audit and Best Value auditing. The Controller of Audit makes reports to the Accounts Commission and acts independently of the Accounts Commission when reporting to it.

Audit Scotland

39. Audit Scotland provides the Auditor General and the Accounts Commission with the services they need to carry out their duties. This includes supporting them in appointing independent auditors.

40. Audit Scotland is governed by a board consisting of a non-executive board chair and two non-executive members (all appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament), the Auditor General and the chair of the Accounts Commission.

41. Audit Scotland coordinates and supports the delivery of public audit in Scotland in consultation with key stakeholders. Audit Scotland ensures that public audit in Scotland is independent, objective and politically neutral. It provides technical audit support and works with professional regulators, audit and accountancy bodies and private-sector firms, to promote and strengthen public audit.

42. Audit Scotland ensures that it:

- focuses on the issues that matter most in public services in Scotland
- makes a positive difference to how public money is used, Best Value and the outcomes that people experience
- provides insights into what works and what needs to improve
- offers foresight on future risks and opportunities for improvement
- makes appropriate comparisons with what is happening elsewhere in the UK and internationally
- engages constructively with audited bodies, demonstrating a good understanding of their operating environment and what they are trying to achieve.

43. Audit Scotland is also responsible for data-matching across public bodies which is designed to prevent and detect fraud, error and other crime. Audit Scotland coordinates the National Fraud Initiative in Scotland and provides related guidance and support to auditors.

44. Audit Scotland consults with auditors and other interested parties on the preparation of guidance to which appointed auditors are expected to have regard to in conducting audits.

Responsibilities of appointed auditors

45. Auditors appointed by the Auditor General and the Accounts Commission undertake the audit of accounts and the wider-scope audit. Once appointed, auditors act independently in carrying out their responsibilities and in exercising professional judgement. The appointed auditors for each audit report to the audited body on the results of audit work covering the accounts, the wider-scope requirements and, where appropriate, Best Value.

46. Appointed auditor responsibilities are derived from statute, this Code, International Standards on Auditing (UK) and the ethical standard for auditors, other professional requirements and best practice. More detail on the auditor's responsibilities for auditing accounts and their wider-scope responsibilities are set out in [Appendix 1](#).

47. Weaknesses or risks, including fraud and other irregularities, identified by auditors are only those which come to their attention during their normal audit work in accordance with the Code and may not be all that exist.

Responsibilities of audited bodies

48. Audited bodies are responsible for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective governance of their activities. Audited bodies are responsible for maintaining sound systems of internal control, which includes:

- corporate governance arrangements
- a financial position that is soundly based
- preparing accounts for audit and related reports
- standards of conduct for prevention and detection of fraud and other irregularities
- internal audit.

49. Audited bodies make a vital contribution to sound stewardship of public resources and, as required, to Best Value. This is achieved through compliance with their statutory duties and responsibilities and by putting in place effective arrangements in the areas described in more detail in [Appendix 2](#).

Section 4

The integrated approach to public audit

50. The integrated audit involves planning, delivering and reporting all aspects of the audit work on an annual basis. The audit of the accounts is at the centre of the integrated audit approach. The audit of accounts provides the foundation for audit work necessary to support the conclusions on wider-scope audit including, where relevant, Best Value. The integrated approach also informs other audit work and outputs.

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

52. The annual audit plan documents how auditors intend to meet their responsibilities. The plan is communicated to the audited body. Auditors coordinate their audit with internal audit and, where appropriate, with relevant scrutiny bodies, to ensure that audit and scrutiny are joined-up, effective and proportionate.

53. Audit planning takes account of other requirements including the performance reporting activities of the Auditor General and the Accounts Commission. Auditors share intelligence through Audit Scotland on significant risks arising at the bodies which they audit throughout the year so that risks which may require audit and reporting are identified early.

54. Auditors engage with the Auditor General and the Controller of Audit, as appropriate, to ensure that significant risks are highlighted and addressed. Local government auditors also participate in the Shared Risk Assessment process which involves the coordination of scrutiny in local government.

55. The requirements of the Auditor General and the Accounts Commission on aspects of the wider-scope audit and Best Value are set out in annual planning guidance. This guidance is informed by matters of risk and assurance arising out of the audits. The annual planning guidance is part of the range of Code-related guidance that Audit Scotland issues to auditors, to support the audit approach and to provide information on technical developments applying to audits.

The annual audit

56. The annual audit comprises the statutory audit of the accounts and the wider-scope audit responsibilities. The Auditor General and the Accounts Commission require the annual audit to be carried out in accordance with International Standards on Auditing (UK) (the ISAs) and the ethical standard. In some areas the application of the ISAs has been interpreted or adapted by the Financial Reporting Council's [Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom](#) to meet the additional requirements of public sector audit, including the auditor's consideration of regularity.

57. Audit work on local government bodies includes the responsibility to report on the arrangements for, and performance of, the audited body's statutory duties of Best Value and community planning.

Audit of accounts and related matters

58. Appointed auditors consider significant risks to the audit opinion on the accounts. They use their professional judgement to assess risks within individual audited bodies and design their audit approach in response to those risks.

59. Auditors give an opinion on the accounts in accordance with the legislative requirements, as set out in [Appendix 1](#). The Auditor General and the Accounts Commission specify the form of opinion auditors provide, based on the accounting and legal framework within which public bodies operate. This may include opinions on remuneration reports, annual governance statements, and other information in annual reports.

Wider-scope audit

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

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

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

- consider, within the wider-scope areas set out in paragraphs 63-71, the Best Value statutory guidance ([Appendix 2](#)), and include the risks they identify in their annual audit plan and report their conclusions
- report progress against findings and recommendations on previous reports on Best Value and subsequent annual audit reports
- report on any Best Value or related themes prescribed by the Accounts Commission in annual planning guidance.

62. The wider-scope audit requires consideration of financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes.

Financial management

63. Financial management means having sound budgetary processes, the ability to understand the financial environment and whether internal controls are operating effectively.

64. Auditors consider whether the body has effective arrangements to secure sound financial management. This includes the strength of the financial management culture, accountability and arrangements to prevent and detect fraud and other irregularities.

Financial sustainability

65. Financial sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs. Auditors consider the extent to which audited bodies have shown regard to financial sustainability.

66. The audit of accounts includes consideration of the concept of going concern. Going concern is a relatively short-term concept looking forward 12 to 18 months from the end of the financial year as it relates to the basis for the preparation of the financial statements. Under the Code, the consideration of financial sustainability is wider than the going concern conclusion.

67. Auditors look ahead to the medium term (two to five years) and longer term (over five years) to consider whether the body is planning effectively so that it can continue to deliver services.

Vision, leadership and governance

68. Public bodies must have a clear vision and strategy, setting priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

69. Auditors consider the clarity of the vision, strategy and priorities, and how these are implemented by the leaders of the audited body. Auditors also consider the effectiveness of governance arrangements for delivery, which includes: openness and transparency of decision-making; robustness of scrutiny and shared working arrangements; and reporting of decisions and outcomes, and financial and performance information.

Use of resources to improve outcomes

70. To meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities, organisations need to make best use of their resources. This includes demonstrating economy, efficiency and effectiveness through the use of financial and other resources, and reporting performance against outcomes.

71. Auditors consider the clarity of the arrangements in place to ensure that resources are deployed to improve strategic outcomes, meet the needs of service users taking account of equalities, and deliver continuous improvements in services.

Less complex public bodies

72. Where an audited body might be considered to be less complex due to its size and its limited financial activity, auditors consider whether there are any audit risks or particular risks to the entity or public interest matters which might influence the scope of audit. Auditors contact the team in Audit Scotland which is independent of auditors to discuss and agree an appropriate audit scope and coverage which aligns with principles agreed with the Auditor General and the Accounts Commission.

73. Where the application of the full scope of audit is judged not to be appropriate to a less complex public body, the annual audit work undertaken might be limited to an examination of:

- the annual accounts
- the annual governance statement
- the financial sustainability of the body and the services that it delivers over the medium to longer term.

74. Any wider-scope audit work will be determined on a risk basis and agreed with Audit Scotland.

Reporting the annual audit

75. The following outputs are produced annually for each audit appointment:

- annual audit plan
- independent auditor's report
- annual audit report.

76. Annual reporting of the audit provides transparency on the outcome of the audit. Audit plans and reports are published on Audit Scotland's website and in accordance with the objectives for public reporting set out in paragraphs 21-23 of the Code.

Annual audit plan

77. The annual audit plan contains an overview of the planned scope and timing of the audit of the accounts and the wider-scope audit to be carried out in accordance with ISAs, this Code, and guidance from Audit Scotland. It identifies the audit work that is planned to meet the audit of the accounts and wider-scope requirements, reflecting the respective responsibilities of audited bodies and appointed auditors.

78. The plan specifies the audit risks identified by the auditor as significant risks and refers to the concept of materiality. The annual audit plan includes the name of the engagement lead for the audit and confirms the independence of the auditor. Plans are reviewed throughout the audit and the audit approach is updated as necessary.

Independent auditor's report

79. The independent auditor's report is the auditor's opinion on the accounts which is included in the audited body's published accounts. It sets out the results of the appointed auditor's work on the accounts in accordance with guidance on independent auditor's reports which is prepared annually by Audit Scotland.

80. The independent auditor's report is addressed to the audited body, the Auditor General or the Accounts Commission and to others, as specified in guidance to auditors. The independent auditor's report is signed with the name of the engagement lead.

Annual audit report

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

- the audit of the accounts
- wider-scope audit and Best Value.

82. Auditors provide clear judgements and conclusions on the effectiveness and appropriateness of the arrangements in place based on the work that they have done. If there are still significant risks, appointed auditors make recommendations for improvement. Annual audit reports include opinions and conclusions which are retrospective in nature and also prospective views on aspects of the wider-scope requirements.

83. Auditor conclusions provide a clear narrative that explains what the auditor found in respect of the effectiveness and appropriateness of the arrangements that audited bodies have in place regarding the wider-scope audit and Best Value. Describing the arrangements in place at an audited body would not be sufficient to meet this responsibility.

84. The enhancements made to auditor reporting for listed companies, and entities who have voluntarily adopted the UK Corporate Governance Code in the private sector are extended to apply to all annual audit reports prepared under this Code.

Other outputs

85. Other outputs may be required in accordance with the guidance produced by Audit Scotland. These other outputs comprise:

- Certification of grant claims prepared by audited bodies.
- Assurance statements for whole of government account returns or other consolidation schedules.
- Reports on summary financial information.

86. Auditors may also produce reports to management, as required and where relevant.

Best Value reporting

87. The Accounts Commission's approach to Best Value involves reporting on individual local government bodies, and national performance reports:

- Appointed auditors consider whether the local authority has made proper arrangements for securing Best Value and is complying with its community planning duties. This work is informed by the elements of paragraph 61 above.
- The Accounts Commission requires the Controller of Audit to report to the Accounts Commission on each council at least once over the five-year audit appointment on the council's performance on its Best Value duty. This enables the Accounts Commission to make findings for improvement where appropriate.
- The Accounts Commission uses its performance audit powers to report nationally on thematic aspects of local authorities' approaches to, and performance in, meeting their Best Value and community planning duties.

Performance audits

88. The Auditor General has powers under the Public Finance and Accountability (Scotland) Act 2000 to initiate examinations into the economy, efficiency and effectiveness of certain bodies or office-holders. The Accounts Commission has powers under Section 97A of the Local Government (Scotland) Act 1973 to undertake studies into, and make recommendations on, improving economy, efficiency and effectiveness in the provision of services by local authorities and Best Value.

89. These audits focus on economy, efficiency and effectiveness in the use of public resources and are known as performance audits. They include national cross-cutting performance audit reports and sectoral overview reports (e.g. local government, NHS and colleges). They are produced either by the Auditor General, the Accounts Commission, or jointly.

90. Performance audits may focus on a particular audited body, a sector (e.g. NHS, local government, colleges), or consider broader cross-cutting issues such as early learning and childcare, community empowerment, workforce planning, digital services, addressing poverty and disadvantage.

91. The approach enables the Auditor General and the Accounts Commission to undertake joint performance audits which can assess how effectively public policy is implemented at both national and local levels. This is particularly important given the complex and interconnected strategic challenges that span sectors and impact on a range of different public bodies. Performance audits track spending and performance across the whole system of public service delivery. They often focus on how different public bodies are working together to improve outcomes and make best use of public resources.

92. The Auditor General and the Accounts Commission manage their performance audit work through a five-year rolling work programme which is reviewed and refreshed annually. This keeps the changing public-sector policy context under review to reflect new risks and issues in their work programme as they emerge.

93. The Auditor General and the Accounts Commission consider a range of factors when deciding what performance audit work to undertake including the public interest, the amount of money, resources or the scale of the issues and the risks involved, the timeliness of the work and the potential for findings to have wider applicability. They use feedback from stakeholder engagement and consultation, which includes the Scottish Parliament, the Scottish Government and local government, to inform the themes and proposed topics for their five-year rolling programme of performance audits. The Accounts Commission is required to consult with stakeholders before undertaking any of its performance audit work and the Auditor General is required to take into account any proposals made by the Scottish Parliament when deciding whether to carry out any performance audit work.

94. Auditors undertake performance audit work in line with INTOSAI standards and guidelines for performance auditing and comply with guidance issued on the application of the Code to performance audit work.

Statutory reports on issues arising from the auditing

95. [Section 22 of the Public Finance and Accountability \(Scotland\) Act 2000](#) gives the Auditor General the power to prepare a report on matters arising from the audit of the accounts of a public body for which the Auditor General appoints the external auditor (including the Scottish Government, NHS bodies, colleges and non-departmental public bodies).

96. The Controller of Audit has a power or may be required by the Accounts Commission to prepare a report on matters arising from the audit of a local government body under [Section 102 of the Local Government \(Scotland\) Act 1973](#).

97. Reports made under these powers are known as statutory reports.

Arrangements for statutory reporting

98. During the annual audit, the auditor draws any significant issues arising to the attention of the public body concerned and to the Auditor General or the Controller of Audit, as appropriate. The auditor also comments on significant issues in the annual audit report. Working in close consultation with the auditor, the Auditor General or the Controller of Audit decides whether a statutory report should be prepared.

99. The auditor works with the Auditor General or the Controller of Audit in preparing the statutory report in line with relevant auditing standards. They must also comply with any guidance issued on the application of the Code to statutory reporting. For Section 22 reports, the Auditor General sends the accounts and the section 22 report to Scottish Ministers who arrange for them to be laid in the Scottish Parliament. For Section 102 reports the Controller of Audit submits the report to the Accounts Commission for its consideration.

Reporting to the Scottish Parliament or the Accounts Commission

100. Following publication of a section 22 report, the Auditor General will brief the Parliamentary Public Audit and Post-legislative Scrutiny Committee (PAPLS) on the report and the committee may decide to take evidence from the relevant Accountable Officer. Once the report has been considered by PAPLS it may be referred to the appropriate subject committee of the Parliament.

101. For Section 102 reports, the Controller of Audit submits the report to the Accounts Commission and briefs the Commission on its contents.

102. Auditors support the Auditor General or the Controller of Audit when they brief the Scottish Parliament's Public Audit and Post-legislative Scrutiny Committee or the Accounts Commission on the content of statutory reports which they have been involved in preparing.

Section 5

Auditors' additional responsibilities

Information returns

103. Audit Scotland requires appointed auditors to complete information returns during the audit appointment. These returns are used for several purposes including benchmarking, risk assessment, and performance audit work and programme development.

Fraud returns

104. Appointed auditors are required to report information on cases of fraud and irregularities in accordance with guidance from Audit Scotland. Appointed auditors should also review information about frauds disseminated by Audit Scotland and consider whether any action is required in relation to their own audit appointments.

Correspondence – issues of concern

105. Individuals or organisations write to Audit Scotland because they have concerns about an issue within a public body that falls under the remit of the Auditor General or the Accounts Commission. An issue of concern may be where someone believes that there is a breakdown in financial management or governance.

106. The key factor in determining whether Audit Scotland examines an issue is the relevance of the issue to the Auditor General or the Accounts Commission's role and functions. Audit Scotland and appointed auditors make this judgement using their professional and technical knowledge. They will also take into consideration the costs of carrying out such work to ensure that they use resources efficiently.

107. All correspondence relating to issues of concern is directed to and managed by Audit Scotland in the first instance. In investigating issues of concern, Audit Scotland will have regard to relevant policies for investigating complaints. Auditors support this process.

108. If the issue of concern does not fall within Audit Scotland's remit it may be redirected to a more appropriate body.

Whistleblowing

109. The Auditor General, the Accounts Commission, Audit Scotland and appointed auditors are prescribed persons under the Public Interest Disclosure Act. These bodies can consider any relevant concerns from whistleblowers and may investigate further.

National Fraud Initiative

110. Audit Scotland may conduct data matching for the purposes of preventing and detecting fraud. Scottish public bodies are supported in their counter-fraud activities through participation in the National Fraud Initiative. This is a data-matching exercise which matches data within and between other public bodies to identify potentially fraudulent transactions or claims and errors. Auditors support this process.

Requests for auditors' views

111. Audited bodies often seek appointed auditors' views on the regularity, accounting treatment or performance management implications of transactions, or proposed courses of action, before embarking upon them. Appointed auditors are as helpful as possible, but bear in mind that:

- their independence must not be compromised by involvement in audited bodies' decision-making
- they must comply with professional standards
- they are not financial or legal advisers to audited bodies
- they do not act in any way that might compromise their ability to report on a matter, or to exercise the powers conferred by statute on them, the Auditor General, the Controller of Audit, the Accounts Commission or Audit Scotland.

112. Audited bodies are responsible for deciding whether to embark on transactions or courses of action. Responses made by auditors should not be taken by audited bodies as suggesting that proposed transactions or courses of action will be exempt from challenge in future, whether by auditors or others entitled to object to them.

Responsibilities to third parties

113. While the results of audits will be made available to the public, the appointed auditors' duty of care in respect of the audit of the bodies covered by this Code extends only to:

- local government bodies – the audited body, the Accounts Commission, the Controller of Audit and Audit Scotland
- all other bodies – the audited body, the Auditor General, Audit Scotland and the Scottish Parliament (under statute, most audited accounts require to be laid before the Parliament).

114. Auditors will be mindful of audited body responsibilities and wider regulatory requirements. Audited bodies are responsible for ensuring these responsibilities are met and that there is appropriate liaison with the appointed auditor about timing of regulatory announcements. This does not extend the auditors duty of care or powers to report in public.

115. Although reports may be addressed to members or managers, they are prepared solely for the use of the bodies referred to above. Appointed auditors do not undertake to have responsibilities to members, directors, accountable officers, managers or the Scottish Ministers in their individual capacities, or to third parties.

Appendix 1

Appointed auditors' statutory duties and reporting

For bodies within the Auditor General's remit

Appointed auditors' statutory duties are derived from appointment by the Auditor General under the Public Finance and Accountability (Scotland) Act 2000. Appointed auditors' reports (i.e. the auditor's independent report in relation to the accounts) must set out the auditor's findings on:

- whether the expenditure and receipts shown in the accounts were incurred or applied in accordance with:
 - any enactment by virtue of which the expenditure was incurred or the income received
 - the Budget Act(s) for the financial year, or any part of the financial year, to which the accounts relate
 - Sections 4-7 of the 2000 Act, relating to the Scottish Consolidated Fund (the Fund)
- where sums have been paid out of the Fund for the purpose of meeting such expenditure, whether the sums were applied in accordance with Section 65 of the Scotland Act 1998
- whether the expenditure and receipts shown in the accounts were incurred or applied in accordance with any applicable guidance (whether as to propriety or otherwise) issued by the Scottish ministers
- whether the accounts comply with any applicable direction by virtue of any enactment.

Appointed auditors must send the accounts, including the auditor's report, to the Auditor General who may prepare a report on the accounts under Section 22 of the 2000 Act. Further details on Section 22 reporting are summarised in Appendix 3.

For bodies within the Accounts Commission's remit

Appointed auditors' statutory duties for local government bodies are contained within Part VII of the Local Government (Scotland) Act 1973, as amended. These are to:

- audit the accounts and place a certificate (i.e. an independent auditor's report) on the accounts stating that the audit has been conducted in accordance with Part VII of the Act
- satisfy themselves, by examination of the accounts and otherwise, that:
 - the accounts have been prepared in accordance with all applicable statutory requirements
 - proper accounting practices have been observed in the preparation of the accounts
 - the body has made proper arrangements for securing Best Value and is complying with its community planning duties
 - a local authority has made adequate arrangements for collecting, recording and publishing prescribed performance information

- hear any objection to the financial statements lodged by an interested person, summarised in Appendix 5.

Appointed auditors should also be familiar with the statutory reporting responsibilities in Section 102 of the Local Government (Scotland) Act 1973, summarised in Appendix 4 including those relating to the audit of the accounts of a local authority.

Appendix 2

Summary of audited bodies' responsibilities

Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives. The features of proper financial stewardship include the following.

Corporate governance

Each body, through its chief executive or accountable officer, is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies should involve those charged with governance (including audit committees or equivalent) in monitoring these arrangements.

Financial statements and related reports

Audited bodies must prepare an annual report and accounts and other related reports. They have responsibility for:

- preparing accounts which give a true and fair view of their financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation
- maintaining accounting records and working papers that have been prepared to an acceptable professional standard and that support their accounts and related reports disclosures
- ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority
- maintaining proper accounting records
- preparing and publishing, along with their accounts, an annual governance statement, management commentary (or equivalent) and a remuneration report that are consistent with the disclosures made in the financial statements
- ensuring that the management commentary (or equivalent) is fair, balanced and understandable and clearly addresses the longer-term financial sustainability of the body.

It is the responsibility of management of an audited body, with the oversight of those charged with governance, to communicate relevant information to users about the entity and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework. The relevant information should be communicated clearly and concisely.

Audited bodies are responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of their objectives and safeguard and secure value for money from the public funds at their disposal. They are also responsible for establishing effective and appropriate internal audit and risk-management functions.

Standards of conduct for prevention and detection of fraud and error

Audited bodies are responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption and to ensure that their affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.

Maintaining a sound financial position

Audited bodies are responsible for putting in place proper arrangements to ensure that their financial position is soundly based having regard to:

- such financial monitoring and reporting arrangements as may be specified
- compliance with any statutory financial requirements and achievement of financial targets
- balances and reserves, including strategies about levels and their future use
- how they plan to deal with uncertainty in the medium and longer term
- the impact of planned future policies and foreseeable developments on their financial position.

Responsibilities for Best Value, community planning and performance

Local authorities have a duty to make arrangements to secure Best Value. Best Value is defined as continuous improvement in the performance of the authority's functions. In securing Best Value, the local authority is required to maintain an appropriate balance among:

- the quality of its performance of its functions
- the cost to the authority of that performance
- the cost to persons of any service provided by it for them on a wholly or partly rechargeable basis.

In maintaining that balance, the local authority shall have regard to:

- efficiency
- effectiveness
- economy
- the need to meet the equal opportunity requirements.

The local authority shall discharge its duties under this section in a way which contributes to the achievement of sustainable development.

In measuring the improvement of the performance of a local authority's functions for the purposes of this section, regard shall be had to the extent to which the outcomes of that performance have improved.

The Scottish Government's Statutory Guidance on Best Value (2020) requires bodies to demonstrate that they are delivering Best Value in respect of seven themes:

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

The Community Empowerment (Scotland) Act 2015 is designed to help empower community bodies through the ownership or control of land and buildings, and by strengthening their voices in decisions about public services.

Specified audited bodies are required to prepare and publish performance information in accordance with directions issued by the Accounts Commission.

For other sectors, the [Scottish Public Finance Manual](#) sets out that accountable officers appointed by the Principal Accountable Officer for the Scottish Administration have a specific responsibility to ensure that arrangements have been made to secure Best Value. Accountable Officers are required to ensure accountability and transparency through effective performance reporting for both internal and external stakeholders.

The Police and Fire Reform (Scotland) Act 2012 also places a statutory duty to make arrangements to secure Best Value in carrying out their functions on the Scottish Police Authority; the Chief Constable of the Police Service of Scotland; and the Scottish Fire and Rescue Service.

Internal Audit

Public sector bodies are required to establish an internal audit function as a support to management in maintaining effective systems of control and performance. With the exception of less complex public bodies the internal audit programme of work is expected to comply with either the Public Sector Internal Audit Standards or the requirements set out in the *Scottish Public Finance Manual*.

Internal audit and external audit have differing roles and responsibilities. External auditors may seek to rely on the work of internal audit as appropriate.

Appendix 3

Audit reporting and access under the Public Finance and Accountability (Scotland) Act 2000

Section 22 reports – matters arising from the audit

Under Section 22, the Auditor General can prepare a report on matters arising from the audit of the accounts of a public body for which the Auditor General is responsible for auditing. This type of report is known as a Section 22 report.

Reporting under Section 22 enables the Auditor General to bring to the attention of the Scottish Parliament and the public, matters of public interest arising from the audit of the wide range of public bodies for which the Auditor General has audit responsibility. These matters are generally focused on specific issues or concerns that have been raised by the appointed auditor and highlighted in their annual audit report on a public body. The Auditor General may also decide to prepare a Section 22 report so that progress with issues raised in a previous Section 22 report can be publicly reported.

The issues highlighted in Section 22 reports can vary and a range of factors are considered when deciding whether to prepare a Section 22 report including:

- the auditor's opinion on the accounts, e.g. the auditor may have highlighted particular issues by qualifying their opinion on the financial statements or adding an 'emphasis of matter' paragraph
- materiality, i.e. the significance of the issue in terms of its value or its impact
- relevance, e.g. whether the issue is relevant elsewhere within the public body or across public bodies, whether the issue is of future relevance in that other public bodies may have similar problems or may pursue a similar course of action
- timing, e.g. how long it has been since the matter arose or whether the issue is a continuing concern
- reporting, e.g. whether the issue has been reported in public before
- public interest.

Section 23 reports – economy, efficiency and effectiveness

Under this section of the Act the Auditor General may initiate examinations into the economy, efficiency and effectiveness with which bodies and office-holders have used their resources in discharging their functions.

The range of bodies where the Auditor General can carry out such examinations includes all those where they have responsibility for the annual audit but can also include bodies or office holders, specified in an order, where in a financial year:

- more than a quarter of the income was received from public funds or
- the amount of the income received from public funds exceeded £500,000.

In determining whether an examination under this section is to be carried out, the Auditor General must consider any proposals made by the Parliament. It is for the Auditor General personally to initiate an examination under this section and to decide who is to carry out the examination.

Access to documents and information

Section 24 of the Act covers an auditor's right of access to documents under Sections 21 and 22, or an examiner's rights under Section 23. The auditor or examiner has the necessary right of access to documents and information which they may reasonably require to enable them to discharge their responsibilities.

Auditors and examiners may also require from any person holding, or accountable for, any such document any assistance, information or explanation which they reasonably think necessary,

Appendix 4

Audit reporting and access under the Local Government (Scotland) Act 1973

Section 102 reports – matters arising from the audit

Under Section 102(1) of the Local Government (Scotland) Act 1973 the Controller of Audit may, and if required by the Accounts Commission must, submit reports to the Commission about:

- the accounts of local authorities
- any matters arising from the accounts or auditing of local authorities that the Controller considers should be considered by a local authority or brought to the attention of the public
- the performance of a local authority of their duties relating to Best Value and community planning.

Section 102(2) requires any report under Section 102(1) to be copied to any local authority named in the report and to any other persons that the Controller thinks fit.

Having considered any matter arising out of the auditing of the accounts of a local authority and having made such enquiries as the Controller sees fit, in certain circumstances the Controller may, under Section 102(3), make a special report to the Accounts Commission. A report may be made where the Controller is of the opinion that:

- an item of account is contrary to law
- there has been a failure on someone's part to bring into account a sum which ought to have been brought into account
- a loss has been incurred or deficiency caused by the negligence or misconduct of a person, or by the failure of an authority to carry out a duty imposed on them by any enactment
- a sum which ought to have been credited or debited to one account of an authority has been credited or debited to another account and the authority has not taken, or is not taking, steps to remedy the matter.

Immediate notification of a significant matter to the Controller of Audit by the appointed audit should normally be followed by the submission of a detailed report.

The Accounts Commission considers reports by the Controller of Audit and agrees next steps, in accordance with the actions available to it under the legislation. This may include, for example, the Commission directing the Controller of Audit to carry out further investigations, holding a public hearing or stating its findings.

The issues highlighted in Section 102 reports can vary and a range of factors are considered when deciding whether to prepare a Section 102 report including:

- the auditor's opinion on the accounts, e.g. the auditor may have highlighted particular issues by qualifying their opinion on the financial statements or adding an 'emphasis of matter' paragraph. The auditor may have formed an adverse conclusion or made significant recommendations in respect of a body's compliance with the duty to comply with Best Value and community planning responsibilities
- materiality, i.e. the significance of the issue in terms of its value or its impact
- relevance, e.g. whether the issue is relevant elsewhere within the public body or across public bodies, whether the issue is of future relevance in that other public bodies may have similar problems or may pursue a similar course of action
- timing, e.g. how long it has been since the matter arose or whether the issue is a continuing concern
- reporting, e.g. whether the issue has been reported in public before
- public interest.

Section 97A – reports on improving economy etc. in services

The Accounts Commission has powers under Section 97A of the Local Government (Scotland) Act 1973 to undertake or promote comparative and other studies designed to enable it to make recommendations for:

- the securing by local authorities of Best Value
- improving economy, efficiency and effectiveness in the provision of services by local authorities
- improving the financial or other management of local authorities.

Access to documents and information

Section 100 of the Local Government (Scotland) Act 1973 covers an auditor's right of access to documents in the local government sector. An auditor has a right of access at all reasonable times to all such documents relating to the accounts of a local authority that they judge necessary to examine for the purpose of auditing those accounts. Auditors are entitled to require from any officer of that authority or any other person holding or accountable for any such document such information and explanation as they think necessary.

Section 97B of the Local Government (Scotland) Act 1973 covers the requirement of bodies and individuals to provide information and documents to the Accounts Commission, including in relation to the Commission's powers under section 97A of the Act.

Appendix 5

Public rights of inspection and objection under the Local Government (Scotland) Act 1973

The wider public interest dimension to the audit of public money is explained throughout the Code.

For the audit of the financial statements of local government bodies, appointed auditors are required to have regard to the right of citizens to:

- inspect a local authority's accounts, books and records and take copies or extracts thereof
- lodge with the auditor a written objection to those accounts, together with a statement of the grounds thereof
- appear before, and be heard by, the auditor with respect to that objection.

Written objections require to be lodged directly with the local auditor. Appointed auditors advise the Controller of Audit promptly of any objections or submissions received directly. If requested by the objector, the local authority or any officer of the authority who may be concerned, the appointed auditor must give the relevant party an opportunity to appear before, and be heard by, the appointed auditor with respect to the objection.

Appointed auditors have regard to any additional guidance issued by Audit Scotland when dealing with objections to the accounts of a local authority.

Glossary

Word	Definition
Accounts	The suite of financial statements that must be prepared by the relevant body and subjected to audit.
ALEOs	<p>Arm's-length external organisations.</p> <p>Companies, trusts and other bodies that are separate from a local authority but are controlled or influenced by them. The local authority could do this, for example:</p> <ul style="list-style-type: none"> • by having a representative on the organisation's board and/or • by the council being the organisation's main funder shareholder. <p>ALEOs can take many forms. They include:</p> <ul style="list-style-type: none"> • companies limited by guarantee or shares • community enterprises, such as industrial and provident societies' trusts • Scottish Charitable Incorporated Organisations. <p>Examples of the services they deliver include leisure, transportation, property development and, more recently, care services. ALEOs are often set up as non-profit-making organisations such as charities to benefit the public in areas such as health, education, recreation and equal opportunities.</p>
Appointed Auditors	External auditors of public bodies appointed by the Accounts Commission under Section 97 of the Local Government (Scotland) Act 1973 or the Auditor General under Section 21 of the Public Finance and Accountability (Scotland) Act 2000. These include appointed auditors in Audit Scotland's Audit Services Group and appointed private firms.
Audit	Work carried out by auditors to meet any of the requirements of the Code.
Audited body (or body)	A body (or account) for which the Auditor General or the Accounts Commission is responsible for appointing an auditor, comprising the members of the body (e.g. elected members of a local authority or executive and non-executive directors of NHS bodies), an accountable officer, management and other officers, as appropriate.
Auditors	Appointed auditors and performance audit and Best Value audit staff collectively.
Best Value Audit	Auditors have responsibility under legislation to provide public assurance on the extent to which local government bodies are meeting their statutory duties. The audit approach is detailed in supplementary guidance.
Code (the)	The Code of Audit Practice issued by Audit Scotland and approved by the Auditor General and the Accounts Commission.
Controller of Audit	The officer appointed by the Accounts Commission under Section 97(4) of the Local Government (Scotland) Act 1973. The Controller of Audit

Word	Definition
	has statutory reporting functions, in particular those referred to in Appendix 4 (page 29) of the Code.
Engagement lead	The person responsible for the engagement and its performance, and for the report that is issued. The engagement lead on an annual audit is the appointed auditor where it is carried out by Audit Scotland or an individual signing on behalf of an appointed firm.
Ethical Standard	The Ethical Standard issued by the Financial Reporting Council.
Financial Reporting Council (FRC)	<p>The body responsible in the UK for issuing auditing and ethical standards and Council (FRC) other guidance to auditors. Its objectives are to establish high standards of auditing that meet the developing needs of users of financial information and to ensure public confidence in the auditing process.</p> <p>On 11 March 2019 it was announced that the FRC will be replaced by a new regulator, the Audit, Reporting and Governance Authority (ARGA). References to FRC in this Code should be read to apply to successor bodies as appropriate.</p>
Following the Public Pound Code	In 1996, the Accounts Commission and COSLA published a joint Code of Guidance on Funding External Bodies and Following the Public Pound. Local government auditors are required to review the guidance for auditors when carrying out their work in this area.
Fraud	An intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage.
FReM	<i>Government Financial Reporting Manual</i> published by HM Treasury.
INTOSAI	International Organisation of Supreme Audit Institutions.
ISAs	International Standards on Auditing (UK) issued by the FRC.
Local government bodies	Councils, joint boards, committees, integration joint boards and other bodies associated bodies, established under the Local Government (Scotland) Act 1973, as amended. The terms local government bodies and local authorities are used interchangeably in the Code.
Other (joint) scrutiny bodies	<p>Inspectorates and other public sector organisations that have a role bodies in assessing aspects of organisational performance, compliance with professional standards and the competence of professional staff.</p> <p>In local government, the relevant organisations are listed in Schedule 14 of the Public Services Reform (Scotland) Act 2010 alongside the Accounts Commission. They have a duty to cooperate with each other and, where appropriate, with the Scottish ministers, under the Act.</p>
Regularity (of expenditure and by virtue of which the expenditure was incurred or the income received)	Whether, subject to the concept of materiality, expenditure and income has been incurred or applied in accordance with (i) any applicable enactment by virtue of which the expenditure was incurred or the income received and guidance issued by the Scottish ministers; (ii) the Budget Act or Acts for the financial year, or any part of the financial year, to which the financial statements relate, and (iii) Sections 4 to 7 of the Public Finance and Accountability (Scotland) Act 2000. Strictly, the legislation refers to receipts rather than income. Where the accounting framework requires audited bodies to account for income this is the term more commonly used in independent auditors' reports.
Shared risk assessment (SRA) Local government auditors only	Shared Risk Assessment is designed to identify where scrutiny will make the most difference in terms of helping councils to improve and providing assurance to the public. It also provides a focus for more

Word	Definition
	coordinated engagement between councils and scrutiny bodies. Scrutiny bodies share intelligence and agree scrutiny risks in each of Scotland's 32 councils using the SRA process.
Whole of Government (WGA)	Whole of Government Accounts (WGA) consolidates the audited accounts of over 8,000 organisations across the public sector in order to produce a comprehensive, accounts-based picture of the financial position of the UK public sector. WGA is based on International Financial Reporting Standards (IFRS Standards), the system of accounts used internationally by the private sector. The larger public sector bodies in Scotland are required to submit a consolidation pack to the relevant Scottish Government directorate, which is based on, but separate from, their statutory accounts.

Draft Code of audit practice 2020

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