

# Technical Guidance Note 2024/3(H)

2023/24 Independent Auditor's Report for Health  
Boards



 AUDIT SCOTLAND

Prepared for appointed auditors in the health sector

16 April 2024

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# Introduction

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## Purpose and use of Technical Guidance Note

1. The purpose of this Technical Guidance Note (TGN) from Audit Scotland's Innovation and Quality (I&Q) is to provide external auditors appointed by the Auditor General for Scotland with model forms of Independent Auditor's Reports (model IARs) for the 2023/24 annual report and accounts of health boards. Appointed auditors are required by the Code of Audit Practice to prepare their IARs in compliance with this TGN.
2. The model IARs set out at Appendices 1 and 2 of this TGN comply with paragraph 50 of [ISA \(UK\) 700 Forming an Opinion and Reporting on Financial Statements](#) which sets out the minimum elements that the IAR is required to include. The model IARs are consistent with illustrative examples issued by the Financial Reporting Council but tailored to reflect health sector legislation and augmented by the reporting requirements of the Auditor General.
3. This TGN also provides application guidance on the tailoring that requires to, or may, be made to the standard wording in the model IARs these are in the form of Auditor Actions. Auditors should complete for each IAR the checklist at Appendix 4 which provides a list of those actions. It is important that auditors consult with I&Q on any proposed tailoring to the standard wording other than those explicitly set out in the application guidance.

## Changes in 2023/24

4. The standard wording in the model IARs for 2023/24 has been amended to reflect the requirement for bodies to disclose material accounting policy information rather than significant accounting policies.

## Consulting with Innovation and Quality

5. Auditors should consult with I&Q on any proposed tailoring to the standard wording in the model IARs or any proposed modification of an opinion of conclusion by sending an email to [TechnicalQueries@audit-scotland.gov.uk](mailto:TechnicalQueries@audit-scotland.gov.uk).

# 1.Overview

## Parts of model IARs

6. The parts that comprise the model IARs, and where application guidance is provided on each part, are summarised in the following table:

Part of model IAR	Guidance
Title	ISA (UK) 700 requires the auditor's report to have a title that clearly indicates that it is the report of an independent auditor. This TGN requires the title 'Independent Auditor's Report' to be used as this complies with that requirement and also clearly distinguishes it from other required reports, such as the Annual Audit Report.
Addressees	ISA (UK) 700 also requires the IAR to be addressed based on the circumstances of the audit appointment. The model IARs are therefore addressed to the members of the health board, the Auditor General for Scotland and the Scottish Parliament.
Reporting on the audit of the financial statements	<p>This part of the model IARs sets out:</p> <ul style="list-style-type: none"> <li>• the titles of the financial statements that have been audited</li> <li>• a description of the applicable financial reporting framework</li> <li>• the auditor's opinion on the financial statements</li> <li>• a description of the basis for the above opinion</li> <li>• information on the period of audit appointment and any non-audit services</li> <li>• conclusions relating to the going concern basis of accounting</li> <li>• a statement that the most significant risks of material misstatement are reported in the Annual Audit Report</li> <li>• responsibilities of the Accountable Officer and auditors for the financial statements</li> <li>• an explanation of the extent to which the audit is considered capable of detecting irregularities including fraud.</li> </ul> <p>Guidance is provided in section 2 of this TGN.</p>
Reporting on regularity of expenditure and income	<p>This part sets out the opinion on the regularity of expenditure and income.</p> <p>Guidance is provided in section 3 of this TGN.</p>

Part of model IAR	Guidance
Reporting on other requirements - Remuneration and Staff Report	This part sets out the opinion on the audited part of the Remuneration and Staff Report. Guidance is provided in section 4 of this TGN.
Reporting on other requirements – other information	This part sets out reporting on other information including the opinions on the Performance Report and Governance Statement. Guidance is provided in section 5 of this TGN.
Reporting on other requirements - matters reported by exception	This part sets out the conclusions on matters reported by exception, such as the adequacy of accounting records. Guidance is provided in section 6 of this TGN.
Reporting on other requirements - wider scope responsibilities	This part highlights that auditors report conclusions on their wider scope responsibilities in the Annual Audit Report.
Use of report	The model reports contain a paragraph to recognise the case of Royal Bank of Scotland v Bannerman Johnstone Maclay, which highlighted potential exposure where auditors have not expressly disclaimed responsibility to third parties.

## Model IAR options

### Auditor action 1

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

7. Separate model IARs have been provided to be used depending on whether a health board has prepared group accounts:

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

## Tailoring to local circumstances

### Auditor action 2

Auditors should follow the standard wording in the relevant model IAR other than where tailoring is required to reflect local circumstances (e.g. adding the name of the health board, reflecting whether the auditor is a firm or an individual, or other tailoring agreed with I&Q).

8. Auditors may tailor the standard wording in the model IARs (as indicated by the square brackets) to the extent set out in the following table:

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

## Signature and date

9. ISA (UK) 700 requires IARs to be signed and dated, and name the location of where the auditor practices:

### Auditor action 3

The appointment lead should:

- sign the IAR on the authorised for issue date (or as close as possible thereafter) and date accordingly
- sign the IAR for and on behalf of the firm (firms only)
- give the full date and postal address.

## Signing

10. The IAR is required to include the signature of the appointment lead. Auditors are encouraged to use a qualified electronic signature as explained in the [Guidance on Planning 2023/24 Annual Audits](#). Appointment leads should sign the IAR as set out in the following table:

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

## Dating

**11.** The date given in the IAR should be the date on which the appointment lead actually signs the report. The appointment lead should aim to sign the report on the date the annual report and accounts are signed by the Accountable Officer (i.e. the authorised for issue date). Auditors should ensure they give the correct day, month and year of their signature, e.g. 30 June 2024.

**12.** There may be circumstances where the appointment lead cannot sign the IAR on the authorised for issue date. Where that is the case, auditors should note the following:

- The appointment lead should not sign the IAR earlier than the authorised for issue date.
- Where the appointment lead signs the IAR on a date later than the authorised for issue date, auditors should:
  - obtain assurance that those charged with governance would have approved the financial statements on that later date (e.g. by obtaining confirmation from the Accountable Officer)
  - ensure that audit procedures for reviewing subsequent events cover the period up to that date.

## Address

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

## Positioning of the IAR

### Auditor action 4

**Auditors should satisfy themselves that the IAR is appropriately positioned in the annual report and accounts.**

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**14.** Paragraph 6.5.53 of the FReM states that the Accountability Report should include the certificate and report of the Comptroller and Auditor General. This is the equivalent of the IAR used in Scotland, and therefore the requirement applies in principle.

**15.** However, auditors should encourage boards to position the IAR in such a way that it is clear to users of the accounts that it is not covered by the Accountable Officer's signature on the Accountability Report.



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## 2.Reporting on audit of the financial statements

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### Opinion on financial statements

#### Auditors' responsibilities

**16.** The 'Reporting on the audit of the financial statements' part of the model IAR is where auditors list the titles of the financial statements they have audited and express an opinion on whether those financial statements:

- give a true and fair view of the state of the affairs of the board (and its group) as at 31 March 2024 and of the net expenditure for the year then ended
- have been properly prepared in accordance with the financial reporting framework.

#### Titles of financial statements

##### Auditor action 5

#### Auditors should:

- encourage health boards to use the titles of the financial statements specified by the FReM and the accounts manual
  - list the financial statements using the precise titles used by the health board.
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**17.** Auditors are required by ISA (UK) 700 to identify the title of each statement that comprises the financial statements. The financial statements illustrated in the model IARs are based on the requirements of, and titles used by, the 2023/24 FReM and the 2023/24 NHS Boards Accounts Manual for the Annual Report and Accounts (the accounts manual). Auditors should encourage boards to use those titles.

**18.** In the event that a board uses different titles or includes other statements, auditors should tailor the titles of the statements illustrated in the model IARs so they precisely match the statements and titles actually used by the board. In a follow up review of 2022/23 health board IARs, I&Q has again identified a number of instances where the titles used by auditors did not precisely match those used by the body. While the differences identified in 2022/23 IARs was minor, any difference may make it difficult for a user to clearly understand the statements that have been audited.

## Modified opinion on financial statements

### Auditor action 6

When auditors are considering modifying their opinion on the financial statements, they should consult with I&Q on the proposed modified opinion.

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

- modify the standard wording in the opinion and basis for opinion paragraphs
- include a description of the matter giving rise to the modification.

**19.** Auditors should evaluate whether there are any material misstatements in the financial statements in accordance with the guidance provided in [Technical Guidance Note 2024/1](#).

**20.** If auditors conclude that there is (or could be) an uncorrected material misstatement in the financial statements, they should express a modified opinion in accordance with [ISA \(UK\) 705 Modifications to the Opinion in the Independent Auditor's Report](#). ISA (UK) 705 establishes three types of modified opinions, i.e. a qualified, adverse, and a disclaimer of opinion.

**21.** There are two forms of qualified opinion. The following table summarises the circumstances in which each form would be appropriate:

Form of qualified opinion	Appropriate circumstances
Material misstatement	Auditors conclude that misstatements are material (but not pervasive) to the financial statements
Inability to obtain evidence (i.e. limitation on the scope of the audit)	Auditors are unable to obtain sufficient appropriate audit evidence on which to base the opinion, but conclude that the possible effects on the financial statements of undetected misstatements could be material but not pervasive

**22.** The modifications required to the standard wording in the model IARs where auditors express a qualified opinion are set out at Appendix 3 section 1 (material misstatement) and section 2 (limitation of audit scope).

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

Type	Appropriate when
Adverse opinion	Auditors conclude that material misstatements have a pervasive effect on the financial statements
Disclaimer of opinion	Auditors are unable to obtain sufficient appropriate audit evidence on which to base the opinion, and they conclude that the possible effects on the financial statements of undetected misstatements could be both material and pervasive

**24.** Pervasive effects are those that:

- are not confined to specific items
- represent a substantial proportion of the financial statements; or
- are fundamental to users' understanding.

**25.** Auditors should consult with I&Q on the subject matter of the qualified opinion, and share the proposed modifications to the model IAR.

## Information on appointments and non-audit services

### Auditor action 7

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

- **insert the date of their appointment letter**
- **report any non-audit services not disclosed elsewhere**

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

- add the date of their appointment letter
- report any non-audit services which were provided to the board that have not been disclosed elsewhere in the annual report and accounts.

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

**28.** In the small number of cases where audit appointments in 2022/23 did not change, or appointments have changed in 2023/24, auditors should amend the model IAR as set out at section 3 of Appendix 3.

## Conclusions relating to going concern basis of accounting

### Auditors' responsibilities

**29.** ISA (UK) 700 requires auditors to report in accordance with [ISA \(UK\) 570](#) in respect of going concern. This requires auditors to conclude:

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

## Matter to be reported

### Auditor action 8

Where auditors are considering whether there may be a matter to report in respect of the use of the going concern basis of accounting, auditors should consult with I&Q.

**30.** Guidance on using the going concern basis of accounting is provided at section 2 of the Overview Module of [Technical Guidance Note 2024/1](#). While a health board may face financial sustainability issues, it is highly unlikely that there will be a material uncertainty regarding the use of the going concern basis of accounting for a continuing board or that it would not be considered appropriate.

**31.** A matter may require to be reported if a board's functions are being discontinued and the board is not being wound up in an orderly manner. In the rare event of a going concern matter requiring to be reported, after consultation with I&Q, the auditor's reporting options are summarised in the following table:

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

## Explanation of extent audit is capable of detecting irregularities

### Auditor action 9

**Where auditors are considering whether tailoring is required to the standard wording for the explanation of extent that the audit is capable of detecting irregularities, auditors should consult with I&Q.**

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**32.** In accordance with paragraph 29-1 of ISA (UK) 700, the model IARs explain the extent to which the audit is considered capable of detecting irregularities, including fraud (i.e. the second, third and fourth paragraphs in the 'Auditor's responsibilities for the audit of the financial statements' section). Paragraph A39-2 of ISA (UK) 700 states that it may be useful if the required explanation related to the specific circumstances of the board, rather than being expressed in standardised language. While acknowledging that guidance, I&Q's view is that it predominantly has the private sector context in mind, and that standard wording is generally appropriate for health boards due to their common statutory framework.

**33.** However, I&Q permits auditors to tailor the standard wording, where they consider it necessary to be more specific about the circumstances of a particular audited board. Auditors should avoid excessive detail in the explanation which may obscure important points of principle.

**34.** I&Q carried out a follow up review of the 2022/23 IARs of health boards to check compliance with TGN 2023/3. The follow-up review found that most audit providers used the standard wording unchanged. However, one audit provider continued to make changes which were extensive and went beyond the focused tailoring envisaged by the guidance in the TGN.

**35.** Where an auditor considers that tailoring of the standard wording is required, they should consult with I&Q. Auditors should demonstrate that any proposed tailoring is necessary in order to be more specific about the circumstances of a particular audited.

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## 3.Reporting on regularity of expenditure and income

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### Auditors' responsibilities

**36.** The 'Reporting on regularity of expenditure and income' part of the IAR is where auditors express an opinion on whether in all material respects, expenditure was incurred and income applied in accordance with applicable enactments and guidance issued by the Scottish Ministers.

### Qualified opinion on regularity

#### Auditor action 10

When auditors are considering qualifying their opinion on regularity, they should consult with I&Q on the proposed qualified opinion.

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

- modify the standard wording of the opinion paragraph
- add a basis for qualified opinion paragraph
- provide a description of the matter giving rise to the qualified opinion.

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**37.** Auditors should evaluate whether there are any material irregularities in the financial statements in accordance with the guidance provided in Module 9 of [Technical Guidance Note 2024/1](#).

**38.** If auditors conclude that there is an uncorrected material irregularity in the financial statements, they should express a qualified opinion. Auditors should modify the standard wording in the model IAR as set out at section 4 of Appendix 3.

**39.** Auditors should consult with I&Q on the subject matter of the qualified opinion, including sharing the proposed modifications to the model IAR.

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## 4.Opinion on audited parts of Remuneration and Staff Report

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### Auditors' responsibilities

**40.** Auditors are required by the Auditor General to express an opinion on whether the audited parts of Remuneration and Staff Report have been properly prepared.

### Titles of report

#### Auditor action 11

Auditors should:

- encourage health boards to use the title Remuneration and Staff Report
- use the precise title of the report used by the health board.

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**41.** The title of the report (i.e. Remuneration and Staff Report) used in the model IARs reflects the title used by the 2023/24 FReM/accounts manual.

**42.** Auditors should encourage boards to use that title but in the event that a board uses a different title, auditors should amend the references in the IAR to be consistent.

### Identifying audited parts of Remuneration and Staff Report

#### Auditor action 12

Auditors should:

- evaluate whether the health board has correctly and clearly identified the parts of the Remuneration and Staff Report that are audited
- request that the board makes any rectifications that are identified
- where necessary, identify in the IAR the parts of the Remuneration and Staff Report that are audited.

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**43.** In accordance with paragraph 6.2.1. of the FReM, health boards are required to correctly and clearly identify the parts of the Remuneration and Staff Report that are audited.

**44.** Module 10 of [Technical Guidance Note 2024/1](#) sets out the relevant parts of the Remuneration and Staff Report that are audited. Auditors are advised to evaluate whether bodies have correctly and clearly identified the parts that are subject to audit, and request any rectifications that are required. This is

consistent with paragraph A60-7 of ISA (UK) 700 which requires auditors to ensure that the audited parts are clearly distinguished from the unaudited parts.

As part of the follow-up review of 2022/23 IARs of health boards, I&Q examined the disclosures to evaluate whether boards had correctly and clearly identified the parts that had been audited. Although some improvements from the previous year were evident, the review found that in thirteen sets of accounts, the board had not accurately or clearly identified the parts of the Remuneration and Staff Report that had been audited. This represented an increase from nine in 2021/22. Auditors at all thirteen boards did not identify the parts that had been audited in the IAR..

**45.** Where the necessary rectifications are not made, and therefore the body's disclosures do not clearly distinguish the audited parts from the unaudited parts, auditors should (as required by paragraph A60-9 of ISA (UK) 700) identify the parts that have been audited in the IAR.

## Qualified opinion on Remuneration and Staff Report

### Auditor action 13

When auditors are considering qualifying their opinion on the Remuneration and Staff Report, they should consult with I&Q on the proposed qualified opinion.

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

- modify the standard wording of the opinion paragraph
- add a basis for qualified opinion paragraph
- provide a description of the matter giving rise to the qualified opinion.

**46.** Auditors should evaluate whether there are any material misstatements in the audited parts of the Remuneration and Staff Report in accordance with the guidance provided in Module 10 of [Technical Guidance Note 2024/1](#). If auditors conclude that there is an uncorrected material misstatement, they should express a qualified opinion. Auditors should modify the standard wording in the model IAR as set out at section 5 of Appendix 3.

**47.** Auditors should consult with I&Q on the subject matter of the qualified opinion, including sharing the proposed modifications to the model IAR.



## 5.Reporting on other information

### Auditors' responsibilities

**48.** ISA (UK) 700 requires auditors to report in accordance with [ISA \(UK\) 720](#) in respect of other information in the annual report and accounts. In a health board, other information should comprise the Performance Report and the Accountability Report (excluding the audited part of the Remuneration and Staff Report).

**49.** ISA (UK) 720 requires auditors to report:

- either a description of any material misstatements in the other information or a statement that there is nothing to report
- a conclusion where there is a specific requirement to report on any other information. In a health board, this applies to the opinions prescribed by the Auditor General as to whether the Performance Report and Governance Statement are consistent with the financial statements and have been properly prepared.

### Titles of reports

#### Auditor action 14

**Auditors should:**

- **encourage the board to use the titles specified by the FReM/accounts manual**
- **use the precise titles of the reports used by the health board.**
- **encourage the board to locate any voluntary information within a report specified by the FReM/accounts manual**

**50.** The titles of the reports (i.e. Performance Report, Accountability Report and Governance Statement) used in the model IARs reflect the titles specified by the 2023/24 FReM/accounts manual. Auditors should encourage boards to use the specified titles but in the event that a board uses different titles, auditors should tailor the titles in the model IAR to be consistent.

**51.** If a health board provides any voluntary information in the form of a report (e.g. a Chair's Statement) outside the Performance Report and Accountability Report auditors should encourage bodies to relocate it within one of those reports. As a minimum, the voluntary report should be incorporated by a clear cross-reference in the Performance Report or Accountability Report (e.g. A statement within the Performance Report that states "The Chair's Statement on page x forms part of this Performance Report").

**52.** In the absence of a cross-reference, auditors should tailor the model IAR to include the voluntary reports. This can either be done by naming the report if that can be done concisely or, in more complex situations, adding the wording set out at section 6A of Appendix 3.

## Material misstatement to report

### Auditor action 15

**When auditors are considering whether there is a material misstatement in the other information, they should consult with I&Q.**

**If auditors conclude that there is an uncorrected material misstatement in the other information, they should describe the misstatement in the Independent Auditor's Report.**

**53.** Auditors should evaluate whether there are any material misstatements in the other information in accordance with the guidance provided in modules 11 and 13 of [Technical Guidance Note 2024/1](#).

**54.** Where auditors conclude that there is an uncorrected material misstatement in the other information, they should amend the model IAR as set out at section 6B of Appendix 3

**55.** Auditors should consult with I&Q on the subject matter of the misstatement, including sharing the proposed amendments to the model IAR.

## Qualified opinion on Performance Report or Governance Statement

### Auditor action 16

**When auditors are considering qualifying their opinion on the Performance Report or Governance Statement, they should consult with I&Q on the proposed qualified opinion.**

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

- **modify the standard wording of the opinion paragraph**
- **add a basis for qualified opinion paragraph**
- **provide a description of the matter giving rise to the qualified opinion.**

**56.** Auditors should evaluate whether a qualified opinion in respect of the Performance Report or Governance Statement is appropriate in accordance with the guidance provided in modules 11 and 13 of [Technical Guidance Note 2024/1](#).

**57.** Where auditors conclude that a qualified opinion is appropriate, they should modify the standard wording in the model IAR as set out at Section 6B of Appendix 3. Auditors should consult with I&Q on the subject matter of the qualified opinion, including sharing the proposed amendments to the model IAR.

**58.** Health boards are not required to report compliance with the UK Corporate Governance Code. If a board makes a reference in the Governance Statement to that code, auditors should contact I&Q as this would trigger additional reporting requirements under ISAs (UK) 701 and 720.

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# 6.Matters reported by exception

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## Auditors' responsibilities

**59.** Where auditors are required to report on certain matters (but positive assurance is not required) ISA (UK) 700 treats them as matters reported by exception. The Auditor General requires auditors of health boards to report by exception if:

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

**60.** Auditors report on these matters in the 'Matters reported on by exception' part of the IAR. The model IARs describe auditors responsibilities for such matters, and incorporate a suitable conclusion (rather than opinion).

## Accounting records

### Auditor action 17

**Auditors should evaluate and conclude on whether:**

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

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**61.** The accounting records contain details of the board's transactions, assets and liabilities. They should be an orderly, classified collection of information capable of timely retrieval, so as to enable a trial balance to be constructed. They may comprise:

- the financial ledger
- supporting records, such as documentation for electronic fund transfers; invoices; contracts; journal entries and other adjustments to the financial statements
- other working papers such as spreadsheets supporting cost allocations, reconciliations and disclosures.

**62.** Auditors should consider accounting records to be adequate if they are sufficient to:

- show and explain the board's transactions
- disclose with reasonable accuracy, at any time during the year, the financial position of the board
- enable the Accountable Officer to ensure that any accounts required to be prepared comply with statutory requirements.

**63.** There is a distinction between the accounting records and the accounting control system. If auditors find weaknesses relating to the accounting control system rather than the accounting records, they can still conclude that adequate accounting records have been kept. Boards should report the weaknesses in the accounting control system, where significant, in the Governance Statement.

## Required information and explanations

### Auditor action 18

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

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## Failure to achieve a prescribed financial objective

### Auditor action 19

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

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**64.** Auditors are required by the Auditor General to report a health board's failure to achieve a prescribed financial objective. The financial objective for health boards is to ensure that their expenditure remains within the Revenue Resource Limit and Capital Resource Limit, and their cash drawn down remains within a cash limit, set by the Scottish Government. Guidance on financial targets is provided in Module 13 of [Technical Guidance Note 2024/1](#).

## Modified conclusion

### Auditor action 20

**When auditors are considering modifying their conclusion on a matter reported by exception, they should consult with I&Q on the proposed modified conclusion.**

**Where a modified conclusion is appropriate, auditors should:**

- modify the standard wording in the model IAR
  - provide a description of the matter giving rise to the modification.
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**65.** Where auditors express a modified opinion as a result of a limitation of the scope of the audit, they should also consider the impact on the matters reported by exception. For example, if auditors have been unable to obtain sufficient appropriate evidence in respect of a material matter in the financial statements, they may not be able to determine whether adequate accounting records have been maintained (or indeed may conclude that they have not been maintained) and may conclude that they have not received all the information and explanations required for the audit.

**66.** Where auditors conclude that a modified conclusion is appropriate, they should modify the standard wording in the model IAR as set out at Section 7 of Appendix 3.

**67.** Auditors should consult with I&Q on the subject matter of the modified conclusion, including sharing the proposed modifications to the model IAR.

## 7.Emphasis of Matter/Other Matter paragraphs

### Auditors' responsibilities

**68.** [ISA \(UK\) 706](#) deals with Emphasis of Matter and Other Matter paragraphs in the IAR. These paragraphs are added to the model IARs when auditors consider it necessary to draw users' attention to:

- matters that are fundamental to understanding the financial statements (Emphasis of Matter)
- relevant to understanding the audit (Other Matter).

### Matter to be reported

#### Auditor action 21

**When auditors are considering whether it is necessary to draw attention to certain matters under ISA (UK) 706, they should consult with I&Q.**

**If auditors conclude that they should draw attention to such matters, they should include an Emphasis of Matter or Other Matter paragraph in accordance with ISA (UK) 706.**

**69.** ISA (UK) 706 specifies criteria for when an Emphasis of Matter paragraph is appropriate, and is clear that widespread use would diminish their effectiveness. Auditors should consider carefully whether all the criteria are fully met and should not use an Emphasis of Matter paragraph unless that is the case. The criteria are summarised in the following table:

Criteria	Considerations
The matter must be appropriately presented or disclosed in the financial statements	<p>An Emphasis of Matter paragraph is not a substitute for disclosures in the financial statements that the health board is required to make.</p> <p>Auditors should evaluate whether the explanation or description of the matter disclosed by the body is clear and accurate.</p>
The matter must be of such importance that it is fundamental to users' understanding of the financial statements	<p>Auditors should consider whether the matter is essential to understanding the financial statements. ISA (UK) 706 gives the following examples:</p> <ul style="list-style-type: none"> <li>• An uncertainty relating to the future outcome of exceptional litigation or regulatory action.</li> <li>• A significant subsequent event that occurs between the date of the financial statements and the date of the IAR.</li> </ul>

Criteria	Considerations
	<ul style="list-style-type: none"> <li>• Early application of a new accounting standard that has a material effect on the financial statements.</li> <li>• A major catastrophe that has a significant effect on the board's financial position.</li> </ul> <p>In recent years, auditors have included an Emphasis of Matter paragraph where a valuer has declared a Material Valuation Uncertainty.</p>
A modified opinion in respect of the matter is not required	An Emphasis of Matter paragraph is not a substitute for a modified opinion.

**70.** An Emphasis of Matter paragraph should be included in a separate section of the IAR. The placement depends on the nature of the information to be communicated, and the auditor's judgment as to its relative significance. The paragraph should have an appropriate heading that includes the term 'Emphasis of Matter'.

**71.** An Emphasis of Matter paragraph should simply draw attention to where the matter is described in the financial statements. Auditors should therefore not attempt to describe the matter. It is important to be clear that the auditor's opinion on the financial statements is not modified in respect of the matter emphasised. The paragraph should take the form set out at section 7 of Appendix 3.

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

**73.** Auditors should consult with I&Q on the subject matter of the paragraph, including sharing the proposed addition to the model IAR.



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# Appendix 1 Group

## Model independent auditor's report

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

### Reporting on the audit of the financial statements

#### Opinion on financial statements

[I/We] have audited the financial statements in the annual report and accounts of [insert name of health board] and its group for the year ended 31 March 2024 under the National Health Service (Scotland) Act 1978. The financial statements comprise the [specify precisely the titles of the financial statements used by the board such as the Statement of Consolidated Comprehensive Net Expenditure, Consolidated Statement of Financial Position, the Statement of Consolidated Cash Flows, the Statement of Consolidated Changes in Taxpayers' Equity] and notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2023/24 Government Financial Reporting Manual (the 2023/24 FReM).

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

- give a true and fair of the state of the affairs of the board and its group as at 31 March 2024 and of the net expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2023/24 FReM; and
- have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

#### Basis for opinion

[I/We] conducted [my/our] audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. [My/Our] responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of [my/our] report. [I was/We were] appointed by the Auditor General on [insert date of appointment letter]. [My/Our] period of appointment is five years, covering 2022/23 to 2026/27 [I am/We are] independent of the board and its group in

accordance with the ethical requirements that are relevant to [my/our] audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and [I/we] have fulfilled [my/our] other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the board. [List any non-audit services not disclosed elsewhere]. [I/We] believe that the audit evidence [I/we] have obtained is sufficient and appropriate to provide a basis for [my/our] opinion.

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

[I/We] have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

These conclusions are not intended to, nor do they, provide assurance on the current or future financial sustainability of the board and its group. However, [I/we] report on the board's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

### **Risks of material misstatement**

[I/We] report in [my/our] separate Annual Audit Report the most significant assessed risks of material misstatement that [I/we] identified and [my/our] judgements thereon.

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

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

In preparing the financial statements, the Accountable Officer is responsible for assessing the ability of the board and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the board's operations.

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

[My/Our] objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes [my/our] opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always

detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

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

- using [my/our] understanding of the health sector to identify that the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers are significant in the context of the board;
- inquiring of the Accountable Officer [add any other officer] as to other laws or regulations that may be expected to have a fundamental effect on the operations of the board;
- inquiring of the Accountable Officer [add any other officer] concerning the board's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among [my/our] audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

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

## Reporting on regularity of expenditure and income

### Opinion on regularity

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

### Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. In addition to [my/our] responsibilities in respect of irregularities explained in the audit of the financial statements section of [my/our] report, [I am/we are] responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

## Reporting on other requirements

### Opinion prescribed by the Auditor General for Scotland on the audited parts of the Remuneration and Staff Report

[I/We] have audited the parts of the Remuneration and Staff Report described as audited [list the audited parts if not clearly identified in the accounts] . In [my/our] opinion, the audited parts of the Remuneration and Staff Report have been properly prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

### Other information

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the Performance Report and the Accountability Report excluding the audited parts of the Remuneration and Staff Report.

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

[My/Our] opinion on the financial statements does not cover the other information and [I/we] do not express any form of assurance conclusion thereon except on the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

## Opinions prescribed by the Auditor General for Scotland on the Performance Report and Governance Statement

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

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

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

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

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

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

### Conclusions on wider scope responsibilities

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

### Use of [my/our] report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, [I/we] do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

[Signature]

[Name of appointment lead], (for and on behalf of [name of firm] - firms only),  
 [Full postal address],  
 [Full date]

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# Appendix 2 Board-only

## Model independent auditor's report

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

### Reporting on the audit of the financial statements

#### Opinion on financial statements

[I/We] have audited the financial statements in the annual report and accounts of [insert name of health board] for the year ended 31 March 2024 under the National Health Service (Scotland) Act 1978. The financial statements comprise the [specify precisely the titles of the financial statements used by the board such as the Statement of Comprehensive Net Expenditure, Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity] and notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2023/24 Government Financial Reporting Manual (the 2023/24 FReM).

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

- give a true and fair view of the state of the board's affairs as at 31 March 2024 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2023/24 FReM; and
- have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

#### Basis for opinion

[I/We] conducted [my/our] audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. [My/Our] responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of [my/our] report. [I was/We were] appointed by the Auditor General on [insert date of appointment letter]. [My/Our] period of appointment is five years, covering 2022/23 to 2026/27 [I am/We are] independent of the board in accordance with the ethical requirements that are relevant to [my/our] audit of the financial statements in the UK including the Financial Reporting Council's Ethical

Standard, and [I/we] have fulfilled [my/our] other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the board. [List any non-audit services not disclosed elsewhere]. [I/We] believe that the audit evidence [I/we] have obtained is sufficient and appropriate to provide a basis for [my/our] opinion.

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

[I/We] have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

These conclusions are not intended to, nor do they, provide assurance on the board's current or future financial sustainability. However, [I/we] report on the board's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

### **Risks of material misstatement**

[I/We] report in [my/our] Annual Audit Report the most significant assessed risks of material misstatement that [I/we] identified and [my/our] judgements thereon.

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

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

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

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

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

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

- using [my/our] understanding of the health sector to identify that the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers are significant in the context of the board;
- inquiring of the Accountable Officer [add any other officer] as to other laws or regulations that may be expected to have a fundamental effect on the operations of the board;
- inquiring of the Accountable Officer [add any other officer] concerning the board's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among [my/our] audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

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

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

### **Opinion on regularity**

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



## Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. In addition to [my/our] responsibilities in respect of irregularities explained in the audit of the financial statements section of [my/our] report, [I am/we are] responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

## Reporting on other requirements

### Opinion prescribed by the Auditor General for Scotland on the audited parts of the Remuneration and Staff Report

[I/We] have audited the parts of the Remuneration and Staff Report described as audited [list the audited parts if not clearly identified in the accounts]. In [my/our] opinion, the audited parts of the Remuneration and Staff Report have been properly prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

### Other information

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the Performance Report and the Accountability Report excluding the audited parts of the Remuneration and Staff Report.

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

[My/Our] opinion on the financial statements does not cover the other information and [I/we] do not express any form of assurance conclusion thereon except on the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

### Opinions prescribed by the Auditor General for Scotland on the Performance Report and Governance Statement

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

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

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

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

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

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

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

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

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

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

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, [I/we] do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

[Signature]

[Name of appointment lead], (for and on behalf of [name of firm] - firms only),  
[Full postal address],  
[Full date]

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# Appendix 3 Qualified opinions and conclusions and other amendments

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## 1. Opinion on financial statements – material misstatement

### Qualified opinion on financial statements

*[No change to first paragraph.]*

In [my/our] opinion, except for the effects of the matter described in the basis for qualified opinion paragraph, the accompanying financial statements:

- *[No change to three bullets].*

### Basis for qualified opinion

*[Add a new paragraph describing the matter resulting in the qualified opinion. This should include:*

- *quantification of the financial effects of the misstatement (or a statement that quantification is impracticable)*
- *where the matter relates to narrative disclosures, an explanation of how the notes are misstated*
- *where the matter relates to non-disclosure of required information, the nature of the omitted information and (unless impracticable) the omitted disclosures.]*

*[No change in existing paragraph until last sentence as follows]. [I/We] believe that the audit evidence [I/we] have obtained is sufficient and appropriate to provide a basis for [my/our] qualified opinion.*

## 2. Opinion on financial statements – limitation of audit scope

### Qualified opinion on financial statements

*[No change to first paragraph.]*

In [my/our] opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the accompanying financial statements:

- *[No change to three bullets].*

### Basis for qualified opinion

*[Add a new paragraph describing the reasons for the inability to obtain sufficient appropriate audit evidence]*

[No change in existing paragraph until last sentence as follows]. [I/We] believe that the audit evidence [I/we] have obtained is sufficient and appropriate to provide a basis for [my/our] qualified opinion.

### 3. Period of appointment

#### 3A

##### Continuation of appointment

[No change to start of paragraph]. [I was/We were] appointed by the Auditor General on [insert date of appointment letter]. [My/Our] period of appointment is five years, covering 2022/23 to 2026/27. Including a previous appointment, the period of total uninterrupted appointment will be [insert total number] years. [No change to remainder of paragraph].

#### 3B

##### New appointment

[No change to start of paragraph]. [I was/We were] appointed by the Auditor General on [insert date of appointment letter]. [My/Our] period of appointment is four years, covering 2023/24 to 2026/27. [No change to remainder of paragraph].

### 4. Regularity

#### Qualified opinion on regularity

In [my/our] opinion, except for the effects of the matter described in the basis for qualified opinion on regularity paragraph, in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

#### Basis for qualified opinion on regularity

[Provide a concise description of the matter giving rise to the qualified opinion] [I/We] believe that the audit evidence [I/we] have obtained is sufficient and appropriate to provide a basis for [my/our] qualified opinion.

#### Responsibilities for regularity

[No change to responsibilities paragraph]

### 5. Remuneration and staff report

#### Qualified opinion on matter prescribed by the Auditor General for Scotland on audited parts of the Remuneration and Staff Report

[I/We] have audited the parts of the Remuneration and Staff Report described as audited. In [my/our] opinion, except for the effects of the matter described in the basis for qualified opinion paragraph on the Remuneration and Staff Report paragraph, the audited parts of the Remuneration and Staff Report have been properly prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

**Basis for qualified opinion on the Remuneration and Staff Report**

*[Provide a concise description of the matter giving rise to the qualified opinion]*  
[I/We] believe that the audit evidence [I/we] have obtained is sufficient and appropriate to provide a basis for [my/our] qualified opinion.

**6. Other information****6A****Other information**

*[No change in first sentence].* The other information comprises the Performance Report and Accountability Report, excluding the audited parts of the Remuneration and Staff Report and other reports included in the annual report and accounts other than the financial statements and [my/our] auditor's report thereon.

**6B****Other information**

*[No change in first paragraph]*

*[No change in the second paragraph until the last sentence which is replaced as follows]. [~~I/We~~] have ~~nothing to report in this regard.~~ [Provide a description of the material misstatement in other information].*

*[No change in third paragraph]*

**Qualified opinions on matter prescribed by the Auditor General for Scotland on Performance Report and Governance Statement**

In [my/our] opinion, except for the effects of the matter described in the basis for qualified opinion on the Performance Report (and/or Governance Statement) paragraph based on the work undertaken in the course of the audit:

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

**Basis for qualified opinion on Performance Report [and/or Governance Statement]**

*[Provide a concise description of the matter giving rise to the qualified opinion]*

## 7. Matter reported by exception

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

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

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

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

*[Provide a concise description of the matter being reported].* [I/We] have nothing to report in respect of the other matters.

## 8. Emphasis of Matter paragraph

### Emphasis of matter: [provide a specific heading]

[I/We] draw attention to [provide a clear reference to the matter being emphasised and to where relevant disclosures that fully describe the matter can be found in the financial statements]. [My/Our] opinion is not modified in respect of this matter.

# Appendix 4 Auditor action checklist

	Yes/No/N/A	Initials/date	W/P ref
1 Have you used the correct model IAR that applies to the board's circumstances (i.e. group or board-only)?			
2 Have you followed the wording in the relevant model IAR other than where tailoring is required to reflect local circumstances, e.g.: have you <ul style="list-style-type: none"> <li>named the board consistently with what it calls itself?</li> <li>used the singular person for Audit Scotland staff and plural for firms?</li> <li>considered whether any other tailoring to the standard wording is appropriate and consulted with I&amp;Q?</li> </ul>			
3 Have you ensured that the IAR has been signed: <ul style="list-style-type: none"> <li>by the appointment lead?</li> <li>on the authorised for issue date (or as close as possible thereafter)?</li> <li>'for and on behalf of the firm' (firms only)?</li> </ul> Does the IAR state the correct postal address?			
4 Have you satisfied yourself that the IAR is appropriately located within the annual report and accounts?			
5 Have you: <ul style="list-style-type: none"> <li>encouraged the board to use the titles of the financial statements specified by the FReM/accounts manual</li> <li>listed the financial statements using the precise titles used by the board?</li> </ul>			

	Yes/No/N/A	Initials/date	W/P ref
6			
Have you:			
<ul style="list-style-type: none"> <li>consulted with I&amp;Q on any proposed modifications to the audit opinion on the financial statements?</li> <li>made the modifications set out the application guidance?</li> </ul>			
7			
Have you in the basis for opinion paragraph:			
<ul style="list-style-type: none"> <li>inserted the date of your appointment letter t?</li> <li>reported any non-audit services not disclosed elsewhere?</li> </ul>			
8			
Where considering whether there may be a matter to report on using the going concern basis of accounting, have you consulted with I&Q?			
9			
Where considering whether tailoring is required to the standard wording for the explanation of extent that the audit is capable of detecting irregularities, have you consulted with I&Q?			
10			
Have you:			
<ul style="list-style-type: none"> <li>consulted with I&amp;Q on a proposed qualified opinion on regularity</li> <li>made the modifications set out in the application guidance?</li> </ul>			
11			
Have you:			
<ul style="list-style-type: none"> <li>encouraged the body to use the title Remuneration and Staff Report</li> <li>used the precise title of the report used by the board?</li> </ul>			
12			
Have you:			
<ul style="list-style-type: none"> <li>evaluated whether the board has correctly and clearly identified the parts of the Remuneration and Staff Report that are audited?</li> <li>requested that the board makes any rectifications that are identified</li> </ul>			



	Yes/No/N/A	Initials/date	W/P ref
<ul style="list-style-type: none"> <li>• where necessary, identified in the IAR the parts of the Remuneration and Staff Report that are audited?</li> </ul>			
<p>13 Have you:</p> <ul style="list-style-type: none"> <li>• consulted with I&amp;Q on a proposed qualified opinion on the audited parts of the Remuneration and Staff Report</li> <li>• made the modifications set out in the application guidance?</li> </ul>			
<p>14 Have you:</p> <ul style="list-style-type: none"> <li>• encouraged the body to use the titles specified by the FReM/accounts manual</li> <li>• used the precise titles of the reports used by the board</li> <li>• encouraged the board to locate any voluntary information within a report specified by the FReM?</li> </ul>			
<p>15 Have you:</p> <ul style="list-style-type: none"> <li>• consulted with I&amp;Q on any proposed reporting of material misstatements in other information</li> <li>• made the appropriate amendments?</li> </ul>			
<p>16 Have you:</p> <ul style="list-style-type: none"> <li>• consulted with I&amp;Q on a proposed qualified opinion on the Performance Report or Governance Statement</li> <li>• made the appropriate amendments?</li> </ul>			
<p>17 Have you evaluated and concluded on whether:</p> <ul style="list-style-type: none"> <li>• the board has kept adequate accounting records throughout the year?</li> <li>• the financial statements and the audited parts of the Remuneration and Staff Report are in agreement with the accounting records?</li> </ul>			
<p>18 Have you evaluated and concluded on whether you have received all the information and explanations required for the audit?</p>			

	Yes/No/N/A	Initials/date	W/P ref
19 Have you evaluated and concluded on whether the health board has achieved its prescribed financial objectives?			
20 Have you: <ul style="list-style-type: none"> <li>consulted with I&amp;Q on any proposed modifications to conclusions on a matter reported by exception</li> <li>made the amendments set out in the application guidance?</li> </ul>			
21 Have you: <ul style="list-style-type: none"> <li>considered whether it is necessary to draw attention to certain matters under ISA (UK) 706</li> <li>consulted with I&amp;Q on any such matters</li> <li>made the amendments set out in the application guidance?</li> </ul>			

# Technical Guidance Note 2024/3(H)

## 2023/24 Independent Auditor's Report for Health Boards

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