

30 June 2025

Dear Colin

Copied to Commission Clerk

It was useful to have some time with the Scottish Commission for Public Audit to update you on our work to review the public audit model in Scotland. As mentioned briefly in that session, we are writing to you formally with some further information and would like to engage with the Commission again on this matter.

## **Future Public Audit Model**

### **Background**

The Auditor General for Scotland and the Accounts Commission for Scotland revise their public audit model and approve a new Code of Audit Practice (the Code) every five years. Once approved, the Code applies to all types of audit work carried out on behalf of the Auditor General for Scotland and the Accounts Commission. It applies to all sectors and all auditors, whether Audit Scotland or accountancy firm employees.

Although we are only half-way through the current five-year period (2022/23 to 2026/27), the timescales involved in developing the code and procuring and appointing auditors to undertake the work, means it is necessary to start considering any changes to the public audit model that would apply from 2027/28.

The Future Public Audit Model is of fundamental importance to the Auditor General, the Accounts Commission and Audit Scotland, to ensure that public audit provides an appropriate level of assurance in an ever-changing service delivery and risk environment, that it is proportionate and adds value. The Future Public Audit Model will help to ensure all parties are delivering on the joint mission of providing clear, independent and objective assurance on how effectively public money is managed and spent.

A key element of the project is gathering views and insights from external stakeholders. This will be done initially through informal engagement, followed by a formal consultation process in Spring 2026.

### **Areas for feedback**

We are therefore keen to hear your views on the current public audit model set out in the Code and what you would like to ensure we consider for the next code. Whilst we recognise this can be far reaching, we have set out some core headings which we think help frame the discussion based on our ongoing liaison with public bodies. These are set out below along with some current context.

Specifically, we would like to understand what is working well with current arrangements and what should/could be done differently going forward. There are legislative requirements that we must adhere to, a summary of these is attached to the end of the letter. However, if there are areas where stakeholders think legislation should be changed, we are equally happy to hear views on these areas, noting that ultimate responsibility for legislative change sits elsewhere.

The core headings are:

- In general, what is working well with current arrangements? What should / could be done differently going forward?
  - the current public audit model and Code aim to deliver a high quality, financial and wider scope audit that is impactful, timely, affordable, and provides sufficient assurance to stakeholders. How well is this working and what could be improved?

Specifically:

- The appropriateness of limited assurance for smaller bodies
  - the current Code requires a full audit in accordance with ISAs (UK) for even the smallest audits, and some stakeholders consider the cost associated with that to be disproportionate. There is an argument that a more limited level of assurance may be acceptable for smaller bodies
- The best approach to Best Value in Local Government
  - the current Code integrates the annual audit of local authorities and the statutory duty of Best Value into one audit, meaning auditors must satisfy themselves that the local authority has made proper arrangements for securing Best Value. This is a new approach, and we would be interested in the opportunities and challenges it brings.
- The place and value of wider scope work
  - since the establishment of Audit Scotland, the audit of the annual accounts has had a wider scope than in the commercial sector. The current Code requires auditors to report conclusions in respect of the effectiveness and appropriateness of the arrangements for four specified wider-scope areas (financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes). This requires additional audit procedures. We are keen to take stock of the advantages and disadvantages of this approach.
- Communication of the public audit model
  - since the establishment of Audit Scotland, a single combined Code has been issued jointly by the Auditor General and the Accounts Commission. All appointed auditors have been required to comply with the Code as a condition of their appointment. This allows a coherent and comprehensive framework for public audit in Scotland to be set out for auditors and stakeholders in one document. While the Code recognises the sectoral differences where appropriate, using the medium of a single code sends out a clear message that different parts of the public sector are held to the same standard of accountability within a consistent public audit regime. Is this still the best approach for the audit of Scotland's diverse and changing public sector.

## Next Steps

Given the significance of this work to the future of public audit in Scotland, we are keen to hear the Commission's views.

Audit Scotland staff will work with the Clerks to determine how best and when to engage with the Commission. This will be really useful to help inform our decision-making.

If you would like to discuss this approach, or would find a separate conversation helpful, either individually as Chair or with other members, please let us know via [FuturePublicAuditModel@audit-scotland.gov.uk](mailto:FuturePublicAuditModel@audit-scotland.gov.uk) . We would be delighted to arrange a mutually convenient time.

Yours

Stephen Boyle  
Auditor General for Scotland

Jo Armstrong  
Chair, Accounts Commission

## Current legislative requirements

The annual audit of public bodies in Scotland is founded on the statutory responsibilities of the Auditor General and the Commission, and the auditors they appoint. The framework for the annual audit is set out in the following key legislation:

- The Local Government (Scotland) Act 1973, specifically Part VII, sets out the statutory auditing framework for Scottish local government.
- The Scotland Act 1998, specifically Section 70 sets out the Auditor General's remit.
- The Public Finance and Accountability (Scotland) Act 2000, specifically Part 2, sets out requirements for sectors within the Auditor General's remit.

The provisions of the Acts are set at a high level and basically require:

- an audit of the accounts each financial year
- local government auditors to be satisfied about arrangements for securing Best Value
- auditors other than in local government to report on whether financial transactions are in accordance with legislation (known as the 'regularity opinion').

There is no express provision for a 'Code of Audit Practice', nor is there a full definition of the scope of the audit or any explicit powers to determine the standards under which auditors should operate. However, these have become established features of the annual audit regime over time by custom and practice.