

# J

## AUDIT & RISK COMMITTEE

3 October 2024

### Information update

#### 1.0 PURPOSE OF PAPER

##### For information

- 1.1 To provide the Committee with an update on a number of areas which are being monitored and areas where work is progressing. Full reports on the individual areas will be tabled as decisions and actions are required.

#### 2.0 EXECUTIVE SUMMARY

- 2.1 Technical bulletins are issued on a regular basis from Audit Scotland and highlight key changes which will impact on the Annual Report and Financial Statements. The key items are detailed in the report and the bulletin is contained in Appendix A.

#### 3.0 RECOMMENDATION(S)/ACTION(S) REQUIRED

- 3.1 It is recommended the Committee note the information provided.

#### 4.0 AUDIT SCOTLAND TECHNICAL BULLETINS

- 4.1 Audit Scotland regularly issue technical bulletins to all external audit firms involved the audit of public sector organisations. These are reviewed to ensure the College is aware of possible changes to the Annual Report and Financial Statements. It also aids awareness of up and coming issues which maybe widen the scope of auditor's investigations.

- 4.3 The Technical Bulletin 2024/2 issued on 30 June which focused mainly on Local Government and NHS Accounts but did contain some areas relevant to the college sector. The areas relevant to the college sector are summarised below and the full bulletin is contained in Appendix A

Area of relevance	
Asset valuation	Valuations should not include financing costs. These have been excluded from valuations included in the College Accounts
RAAC	RAAC needs to be considered when valuing assets

2023/24 report on actuarial information	The competence and objectivity of the actuaries should be considered in relationship to reports provided for the pension liabilities.
2023/24 Disclosure Guide	Relevant to all bodies covered by Government Financial Report Manual, which includes the college sector.

## 5..0 NATIONAL FRAUD INITIATIVE

5.1 The timetable for the 2024/25 National Fraud Initiative exercise has been published with guidance of the data requirements. The key dates and actions for the College are shown in the table below.

Activity	Timing
Final completion of the 2024/25 privacy notice compliance declaration in the web application	By Friday 30 August 2024
Extract data from systems in accordance with the data specifications and upload data to the NFI web application.	Data must be uploaded between Tuesday 1 October 2024 and Friday 25 October 2024 Database closes on Friday 8 November 2024.
Set up/review accounts for those reviewing matches.	By Monday 2 December 2024 and as and when future changes occur

5.2 Action 1 is complete, and data collection has commenced in line with requirement and timescales.

Kirsty Robb, Vice Principal Finance & Corporate Services

### Previous Board or College Committee Approvals:

#### Alternative formats

If you need access to a college document in an alternative format, for example, accessible PDF, large print, easy read, audio recording and braille:

- Complete an accessibility request form by [clicking on this link](#).
- Call **01896 66 26 00** and ask to speak with the Marketing Team.

We will consider your request and get back to you within 5 working days.

#### Translate documents from this website into other languages

You can download any of our published documents and translate them into many languages. Please click this link to use [Google Translate](#)

<b>For publication</b> <input checked="" type="checkbox"/>	<b>Not for publication</b> <input type="checkbox"/> <b>If not, why not?</b>
--	--

# Technical Bulletin

## 2024/2

Technical developments and emerging risks from  
April to June 2024



 AUDIT SCOTLAND

Prepared by Audit Scotland for appointed auditors and audited bodies in all sectors

30 June 2024

---

# Contents

---

1: Introduction	3
2: All sectors	5
3: Local government sector	7
4: Central government sector	15
5: Health sector	17
6. Fraud and irregularities	19

---

# 1: Introduction

---

## Purpose

The purpose of Technical Bulletins from Audit Scotland's Innovation and Quality (I&Q) business group is to provide auditors appointed by the Auditor General for Scotland and Accounts Commission for Scotland with:

- information on the main technical developments in each sector during the quarter
- information on professional matters during the quarter that are expected to have applicability to the public sector
- summaries of responses to any requests from auditors for technical consultations with I&Q.

Appointed auditors are required by the Code of Audit Practice to pay due regard to Technical Bulletins. The information on technical developments is aimed at highlighting the key points that I&Q considers auditors in the Scottish public sector require generally to be aware of. It may still be necessary for auditors to read the source material if greater detail is required in the circumstances of a specific audited body. Source material can be accessed by using the hyperlinks.

Any specific actions that I&Q recommends that auditors take are highlighted in **green**.

Technical Bulletins are also published on the Audit Scotland [website](#) and therefore are available for audited bodies and other stakeholders to access. However, hyperlinks to source material indicated with an asterisk (\*) link to files on Audit Scotland's [SharePoint\\*](#) and are only accessible by auditors.

## Highlighted items

I&Q highlights in the following table a selection of the items in this Technical Bulletin that are of particular importance:

Highlighted items		
I&Q has published guidance on independent auditor's reports <b>[paragraph 2]</b>	CIPFA has issued guidance on closing the 2023/24 financial statements of local authorities <b>[paragraph 7]</b>	PWC has provided a report to support auditors when assessing information produced by actuaries in respect of the LGPS <b>[paragraph 11]</b>
CIPFA/LASAAC has issued the 2024/25 accounting code for local government <b>[paragraph 25]</b>	The Scottish Government has issued revised loans fund guidance <b>[paragraph 28]</b>	I&Q has published guidance on objections to 2023/24 local government accounts <b>[paragraph 34]</b>
I&Q has issued guidance for auditors on certifying the 2023/24 HB subsidy claim <b>[paragraph 37]</b>	Treasury has issued an amendment to the 2023/24 FreM <b>[paragraph 44]</b>	The Cabinet Office has issued guidance on Remuneration and Staff Reports <b>[paragraph 49]</b>
I&Q has issued a report to auditors following an examination of the CNORIS <b>[paragraph 58]</b>	I&Q has issued a review of land and building valuations for health boards <b>[paragraph 60]</b>	The Scottish Government has issued an IFRS 16 lease model and guidance <b>[paragraph 63]</b>

## Consulting with I&Q

Auditors should consult with I&Q by completing an enquiry form and submitting it to [TechnicalQueries@audit-scotland.gov.uk](mailto:TechnicalQueries@audit-scotland.gov.uk).

---

# 2: All sectors

---

## Independent auditor's reports for accounts in 2023/24

1. I&Q has published the following Technical Guidance Notes (TGN) to provide auditors with model forms of Independent Auditor's Reports (IAR) which should be used for the 2023/24 annual accounts of the following public bodies:

- TGN 2024/3(H) for health boards
- TGN 2024/4(LG) for local government bodies.

2. Auditors are required by the Code of Audit Practice to prepare their IARs in accordance with the TGN. The TGN is available with supporting material to auditors on [SharePoint\\*](#) and is also freely available from the Audit Scotland [website](#).

3. The model forms of IARs set out in the appendices of the TGNs have been tailored to reflect relevant legislation and augmented by the reporting requirements of the Auditor General and Accounts Commission.

4. The main change to the previous guidance and model IARs is to reflect the requirement for bodies to disclose material accounting policy information rather than significant accounting policies.

5. For the 2023/24 audits of public bodies, auditors should:

- use the relevant model form of IAR for each audited body
- follow the specified wording other than where tailoring adjustments are set out in the application guidance in the TGN
- consult with I&Q on any modified opinion or conclusion
- complete an Auditor Action Checklist for each IAR prepared.

## Technical consultations with auditors

### I&Q responses to requests from auditors for technical consultations

6. The following table summarises a request from auditors for a technical consultation with I&Q in respect of an issue arising from the audit of the 2023/24 annual accounts, along with the advice offered:

## Should financing costs be included in valuations of buildings under the depreciated replacement cost (DRC) methodology?

There is an important distinction between what the valuer includes in their valuation and what a body can or must capitalise under accounting rules.

Under the DRC methodology, a valuer is required to adopt an instant build approach. [Guidance](#) issued by the Royal Institution of Chartered Surveyors (RICS) highlights that borrowing costs (which the valuer calls finance costs) should not be included in the valuation of the property where the instant build approach is adopted.

However, for accounting purposes, borrowing costs can be capitalised (regardless of DRC being used). IAS 23 Borrowing Costs requires borrowing costs that are directly attributable to the asset to be capitalised. The Government Financial Reporting Manual (FReM) adopts IAS 23 and therefore bodies covered by the FReM are required to capitalise borrowing costs. However, most central government bodies and health boards are not permitted to borrow to fund capital expenditure and therefore this is unlikely to arise in practice. The Code of Practice on Local Authority Accounting in the UK (the accounting code) adapts IAS 23 to allow local government bodies the option whether to expense or capitalise borrowing costs. Colleges follow FRS 102 which also allows the option to capitalise borrowing costs.

If a valuer were to incorrectly include finance costs in the DRC valuation and the body had capitalised borrowing costs, those costs would be double-counted.

---

# 3: Local government sector

## Guidance on the 2023/24 financial statements

7. [The Chartered Institute of Public Finance and Accountancy \(CIPFA\)](#) has issued [Bulletin 17 Closure of the 2023/24 Financial Statements](#) to provide guidance on closing the 2023/24 financial statements. The guidance is intended to be best practice, but it does not have the formal status of the accounting code.

8. The following items in the guidance are highlighted for Scottish local government bodies:

- Reinforced autoclaved aerated concrete (RAAC).
- Accounting standards that have been issued but not yet adopted.

### RAAC

9. Section 4 addresses the issues around RAAC. Some key points are summarised in the following table:

Area	Summary of guidance
Subsequent measurement	<p>Consideration needs to be given to whether any additional revaluations are required outwith the usual cycle due to an Office of Government Property safety <a href="#">briefing notice</a> considering RAAC as “life-expired”. Adjustments may be needed due to:</p> <ul style="list-style-type: none"> <li>• the ability to deliver services as intended for assets based on existing use value</li> <li>• assets valued at fair value being viewed less favourably on the open market</li> <li>• structural and safety issues for assets valued at DRC.</li> </ul>
Depreciation & impairment	<p>The useful life of assets, residual value, and previous depreciation calculations may need to be revisited.</p> <p>Consideration should be given to whether assets should be componentised differently.</p> <p>Local authorities should assess whether the presence of RAAC constitutes an indication of impairment.</p>
Assets held for sale	<p>When classifying an asset as held for sale, authorities should consider whether:</p> <ul style="list-style-type: none"> <li>• remedial work is required prior to a sale</li> </ul>

Area	Summary of guidance
	<ul style="list-style-type: none"> <li>the presence of RAAC is likely to adversely impact on the probability of the asset being sold.</li> </ul>
Associated revenue costs	One potential impact on revenue is the rental of alternative accommodation, such as classrooms.

### Accounting standards that have been issued but not yet adopted

**10.** Section 10 lists the accounting standards introduced by the 2024/25 accounting code (discussed later in this chapter) which require to be disclosed as 'standards issued but not yet adopted' in 2023/24. They include IFRS 16 Leases for those local authorities that have not implemented the standard in 2023/24

### 2023/24 report on actuarial information

**11.** I&Q has arranged for PWC to provide a [report\\*](#) to support auditors when assessing the competence and objectivity of, and assumptions and approach adopted by, actuaries producing information required by IAS 19 figures in respect of the Local Government Pension scheme (LGPS) as at 31 March 2024. [Auditors should refer to paragraphs 16 to 25 in Module 4 of TGN 2023/8\(LG\) for guidance on using the report and further information.](#)

**12.** PWC have confirmed the competence and objectivity of the actuaries involved in valuations for the LGPS in Scotland. They are also comfortable that in aggregate the assumptions adopted by all actuaries will lead to liabilities falling within their expected ranges for a typical employer at 31 March 2024.

**13.** However, the report advises [auditors to consider whether:](#)

- [local issues have been adequately covered in instructions issued by employers to actuaries \(page 3\)](#)
- [to subject the source data provided to the actuaries by employers to further audit procedures as discussed in section 5 of the report](#)
- [to establish actual asset returns and compare them with expected returns arrived at using market indices \(see page 15\).](#)

**14.** Page 17 of the report addresses accounting for plan amendments, curtailments, and settlements (special events) under IAS 19. Auditors need to understand whether any significant special events have occurred, and whether profit and loss items have been remeasured from the date of the event for the remainder of the accounting period. This entails remeasuring both the assets and liabilities using assumptions set at this date. The report confirms that all actuaries are aware of the IAS 19 requirement.

**15.** Page 20 of the report provides an update on the following matters:

- All actuaries are following an approach in 2023/24 for Guaranteed Minimum Pension (GMP) indexation and equalisation that is consistent with 2022/23.
- In relation to the McCloud judgement, most actuaries are following an approach in 2023/24 consistent with prior years. The exception is Barnett Waddingham who are using a more accurate approach as they now have 2022/23 membership data.
- The Government Actuary Department is currently reviewing any implications of a High Court legal ruling on a recent Virgin Media case. No actuaries made specific allowance for this judgement as at 31 March 2024 as the applicability to LGPS is currently too uncertain.
- Actuaries do not intend making any specific allowance for the Goodwin, O'Brien or similar cases, unless requested to do so.

**16.** Pages 18 to 21 of the report provide an update and guidance on IFRIC 14 and the pension asset ceiling. As actuaries do not have a standard approach, auditors may need to clarify the approach used at each body.

**17.** For areas not covered by the CIPFA guidance on IFRIC 14 (referred to in [TB 2023/4](#) paragraph 19), page 19 sets out:

### **Assumptions related to contributions**

**18.** Actuaries had little previous experience of calculating an asset ceiling before last year and therefore adopted a number of different methodologies for the calculation at 31 March 2023. It is expected that those methodologies will be further developed for calculating the asset ceiling at 31 March 2024. The expectation is that:

- future service contributions will be assumed to continue into perpetuity
- positive or negative past service contributions will be assumed to continue over the period they were originally calculated on

**19.** A change in a methodology, e.g. a change in annuity rate or future working life applied, is expected to be treated as a change in accounting estimate and therefore recognised prospectively (i.e. from the date of change). However, if last year's methodology was unsatisfactory or incorrectly applied or otherwise resulted in an error, the change in methodology may require to be applied retrospectively.

**20.** Page 20 confirms that all actuaries, unless otherwise requested, will assume that the future service contribution rates will remain constant even for periods beyond the current triennial valuation period.

### **The approach to unfunded benefits**

**21.** Provisions for discretionary enhancements to retirement benefits (e.g. payments for early retirement) are referred to as unfunded liabilities as they are paid by the body rather than the pension fund. The unfunded liability should be presented separately from the net defined benefit asset at 31 March 2024.

Actuaries should not include the unfunded payments in future employer contributions when calculating the asset ceiling.

**22.** There may be cases where unfunded payments were included in the asset ceiling calculations as at 31 March 2023. This may have impacted on the net defined benefit asset recognised on the Balance Sheet at that date. Bodies may need to request a recalculation of the asset ceiling at 31 March 2023 to determine the impact of the unfunded payments. Consequently, auditors should consider whether the comparative figures in the 2023/24 financial statements may require to be adjusted.

### **Presentation of interest**

**23.** Page 21 confirms the requirements in relation to interest where an IFRIC 14 asset restriction occurred in 2022/23. The net interest income recognised in 2023/24 will be reduced due to an asset restriction in 2022/23. Auditors will need to clarify if actuaries' calculations have taken into account any restrictions applied in 2022/23. Any change in the size of the restriction over the year should be recognised through Other Comprehensive Income.

**24.** Appendix E to the report provides additional guidance on the application of IFRIC 14 addressing the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments.

### **2024/25 accounting code**

**25.** [CIPFA/LASAAC](#) has issued the [accounting code](#)\* to set out local government accounting requirements for 2024/25. The financial reporting framework is based on International Financial Reporting Standards (IFRS) as adopted by the UK, adapted for the local government context where necessary.

**26.** The most significant changes to the 2024/25 accounting code relate to the mandatory adoption of IFRS 16 from 2024/25. Guidance included as an appendix to the 2022/23 and 2023/24 accounting codes (as explained in [Technical Bulletin 2022/3](#) paragraph 18) is now included in section 4.2 of the 2024/25 code.

**27.** The 2024/25 accounting code also include additional requirements on the application of IFRS 16 including in section 4.3 on service concession arrangements:

- Where indexation or changes in a rate affect future payments, the lease liability should be remeasured. The remeasurement reflects only indexation or rate changes which have already occurred and result in a change to the payment amount.
- On transition, the lease liability should be adjusted to reflect the liability which would have been calculated in the previous year, based on the index or rate applied to variable payments in the previous reporting year.

## Revised loans fund statutory guidance

**28.** The [Scottish Government](#) has issued [Finance Circular 7/2024](#) to provide revised statutory guidance on loans fund accounting to replace from 2024/25 the guidance in Finance Circular 7/2016.

**29.** The statutory guidance is consistent with recent amendments to The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016 which apply to loans fund advances made before 1 April 2023 ([Technical Bulletin 2023/4](#) paragraph 23). The revised statutory guidance will apply to advances made on or after that date.

**30.** The main revisions are included at paragraphs 56 to 62 of the statutory guidance (i.e. part 2 of the circular) and are as follows:

- Where a loans fund advance relates to an asset, the prudent repayment period should align to:
  - the asset life as determined for calculating depreciation; or
  - where an asset life cannot be established, the period over which benefit of the expenditure will be provided to the community (subject to a maximum of 50 years unless Scottish Ministers give consent to a longer period)
  - the period over which a local authority will receive a related income stream.
- There is no requirement to revisit decisions regarding the repayment period taken prior to 1 April 2024.
- Any variation to loans fund repayments may only be calculated on the balance of the loans fund advance outstanding in the financial year of variation and may only be applied prospectively. A variation may not result in either a nil or negative charge.
- The asset life is based on the depreciation term of the asset in the year of the loans fund advance. Loans fund repayments may only be varied where this aligns with a variation to the depreciation term of an asset, as determined in accordance with proper accounting practice.
- Loans fund advances where Scottish Ministers have consented to that borrowing may not be varied.

**31.** In addition, paragraph 16 of the guidance sets out the general principle that loans fund repayments should be made from revenue and therefore the use of capital receipts should be minimised.

## Council tax on second and unoccupied homes

**32.** The [Council Tax \(Variation for Unoccupied Dwellings\) \(Scotland\) Amendment Regulations 2023](#) have been issued to amend the requirements for

council tax on second homes and unoccupied properties from 2024/25. These include the:

- power for local authorities to increase the amount of council tax payable on second homes by up to 100%
- ability to impose an increase of up to 100% for properties which have:
  - been empty for at least 12 months
  - been purchased by a new owner within the past six months
  - repairs or renovations being undertaken.

**33.** The Scottish Government has issued [Finance circular 6/2024](#) to provide guidance on the amended regulations. This includes advising that income:

- generated using existing powers to reduce the discount on long-term empty homes and second homes between 10% to 50% continues to be ring-fenced for affordable housing and empty homes services
- is not ring-fenced where the discount is under 10% or a council tax increase of up to 100% is applied.

### Guidance on objections to 2023/24 annual accounts

**34.** I&Q has published TGN 2024/5(LG) to provide auditors with guidance on the right of an interested person under section 101 of the Local Government (Scotland) Act 1973 to:

- inspect the unaudited 2023/24 annual accounts of a local government body
- object to those accounts.

**35.** The TGN is available with supporting material to auditors on [SharePoint\\*](#) and is also freely available from the Audit Scotland [website](#).

**36.** Auditors should:

- evaluate whether the public inspection notice for 2023/24 is in accordance with applicable legislation
- carry out the actions set out in the TGN for any objections received.

### 2023/24 housing benefit subsidy claims

#### Technical Guidance Note for auditors

**37.** I&Q has published TGN/HBS/24 on certifying the 2023/24 housing benefit (HB) subsidy claim. The TGN is provided with supporting material to auditors on [SharePoint](#) and is also available from the Audit Scotland [website](#). The TGN:

- provides guidance for auditors on the examination of the HB subsidy claim, including highlighting the main risk areas
- sets out and explains an overview of the certification approach, the preliminary procedures (at section 1), testing procedures (at section 2), procedures for evaluating results and agreeing amendments (section 3) completion procedures (at section 4) and post-certification procedures (at section 5) that auditors should carry out (all summarised in the checklist at Appendix 1)
- provides examples of reporting errors and observations in a letter to the Department for Work and Pensions (DWP) at Appendix 3
- provides examples of reporting the results of any post-certification procedures at Appendix 4.

**38.** The TGN reflects changes following a review carried out by I&Q of the certification approach adopted in Scotland in 2021/22 and 2022/23. Changes include the following:

- The DWP has set 30 November 2024 as the submission deadline for the 2023/24 subsidy claims. The DWP require the local authority to inform them where that date will not be met.
- The initial samples selected for testing should contain cases with income calculations or overpayments (not both)
- Where a local authority places all homeless claimants on either rent rebate or rent allowance, auditors should amend the composition of their initial sample in accordance with the guidance provided. Auditors should include confirmation in their letter to DWP of their consideration of the risk of error in their initial sample

**39.** Auditors should certify 2023/24 HB subsidy claims in accordance with TGN/HBS/24.

### DWP guidance and tools

**40.** The following modules of the HB subsidy certification approach have been issued by the DWP. Auditors should refer to these modules when certifying the 2023/24 subsidy claims:

- [The uprating checklist](#)\* to help auditors ensure that the authority's system is using the correct benefit parameters to calculate benefit entitlement and for the authority to claim the correct amount of subsidy.
- The [workbooks](#)\* to be completed for detailed testing.
- The [software diagnostic tool](#)\* to ensure the subsidy claim has been completed using the recognised software for claim completion and reconciles "benefit granted" to "benefit paid" in accordance with the software suppliers' instructions.

## 2023/24 NDR return and guidance

**41.** The Scottish Government has issued the [2023/24 Non-domestic rates \(NDR\) notified return](#) and guidance. The most significant changes from 2022/23 are:

- The rateable value threshold for higher properties and Fresh Start relief has increased from £95,000 to £100,000.
- The Small Business Bonus Scheme calculations have been amended
- The Non-Domestic Rates Incentivisation Scheme has been reinstated.

**42.** I&Q will publish TGN/NDR/24 on certifying the 2023/24 return shortly, which [auditors should use to certify 2023/24 NDR returns](#).

## Technical consultations with auditors

**43.** The following table summarises a request from auditors for a technical consultation with I&Q in respect of an issue arising from the audit of the 2023/24 annual accounts of local government bodies, along with the advice offered:

### Integration joint boards

**Should the commissioning expenditure of an integration joint board (IJB) be adjusted for an underspend or overspend incurred by constituent authorities when delivering the commissioned services?**

The accounting for an over/under spend by a constituent authority on the delivery of services commissioned by the IJB should be in accordance with its integration scheme:

- Where the integration scheme provides that an under/overspend is retained by the constituent authority, the commissioning expenditure provided by the IJB should not be adjusted.
- Where the integration scheme requires any under/overspend to be returned to or borne by the IJB, the commissioning expenditure should be adjusted accordingly. This means that in effect the IJB commissioning expenditure reflects the underlying cost of delivering the commissioned services.

There should be no adjustment to the IJB commissioning expenditure unless required by the integration scheme. Auditors should therefore assess whether the treatment of under/overspends on the delivery of commissioned services is in accordance with the integration scheme.

---

---

# 4: Central government sector

---

## Amended 2023/24 FreM

**44.** [HM Treasury](#) has issued an amended [2023/24 Government Financial Reporting Manual](#) (FreM) in respect of pension benefit disclosures. The FreM for 2023/24 was originally issued in December 2022, and subsequently revised in December 2023 (explained in [Technical Bulletin 2024/1](#) paragraph 49).

**45.** The latest revision disapplies the requirement at paragraphs 6.5.8 d) and 6.5.15 to disclose pension benefit information for directors where it is not available and waiting could delay laying the accounts. Where that is the case, paragraph 6.5.15 sets out the required explanatory disclosure.

**46.** In I&Q's view, the FreM amendment applies to the administrative dates set for Scottish bodies. A modified opinion on the Remuneration and Staff report is therefore not necessary due to the non-disclosure of the relevant pension benefit information provided the specific explanation for non-disclosure has been properly disclosed.

**47.** The FreM amendment is intended to apply only in circumstances where the required pension information has not been made available, and there is no other way for the body to calculate the required amounts. Where bodies have received information but are required to adjust the figures (for example, as explained in the following article, cases where employee contributions require to be removed from CETV calculations), the body should be able to make the necessary adjustment. It would therefore be inappropriate to apply the FreM amendment to these circumstances.

## 2023/24 guidance on Remuneration Report disclosures

**48.** [The Cabinet Office](#) has issued an [Employers Pension Notice \(EPN\) 710](#) on the preparation of the pay, pension and compensation disclosures for the Remuneration and Staff Report for 2023/24.

**49.** The EPN has been updated to reflect the requirements of the 2023/24 FreM issued in June 2024 (as explained at paragraph 44). An example of the disclosures is provided at Annex 13C.

**50.** The EPN sets out that the real increase in CETV is the element of the increase funded by the employer, excluding contributions paid by the employee.

**51.** The Scottish Public Pension Agency (SPPA) provide CETV information to a number of public bodies in Scotland, including health boards. The SPPA have clarified that they do not make any adjustment for employee contributions. For the Remuneration Report disclosure, bodies are therefore required to remove the employee contributions from the CETV figure provided by the SPPA.

**52.** EPN 710 also explains that the real increase in CETV should exclude the effect of inflation. It advises that the CPI increase for September 2023 was 6.7%. The SPPA has confirmed that 6.7% has been used when calculating the real increase during 2023/24.

**53.** Auditors should refer to this guidance when auditing the 2023/24 Remuneration Report.

## **Disclosure guide for 2023/24 financial statements**

**54.** [The National Audit Office](#) has published a [disclosure guide](#) on the 2023/24 financial Statements for bodies covered by the Government Financial Reporting Manual (FReM).

**55.** The guide is designed to ensure that bodies covered by the FReM have prepared their 2023/24 financial statements in the appropriate form and have complied with all disclosure requirements. The guide is cross-referenced to the 2023/24 FReM, individual financial reporting standards, and the Companies Act 2006. A tailored checklist can be generated by selecting the criteria that are material to the body.

**56.** When checking that the FReM's disclosure requirements have been met, auditors should in accordance with the [Overview Module of TGN 2024/1](#):

- consider requesting that the body completes the disclosure checklist
- investigate the reasons for any non-compliance that the guide highlights
- evaluate whether the body's responses in the checklist are consistent with auditor's knowledge.

---

# 5: Health sector

---

## Assurance report on 2023/24 clinical negligence claims

**57.** I&Q has issued [a report](#)\* to auditors following an examination of the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS). The purpose of the report is to:

- provide assurance on the methodology used by the Scottish Government in the calculation of the CNORIS national obligation at 31 March 2024
- inform auditors' evaluation of the role of the NHS Central Legal Office as a management expert.

**58.** Auditors should refer to this report when auditing the 2023/24 provisions for CNORIS.

## Review of 2023/24 land and building valuations

**59.** I&Q has issued [a report](#)\* to auditors following a review of the use of indices in health boards 2023/24 valuation programmes for land and buildings.

**60.** The review identified which health boards utilised indices for land and buildings valuations and analysed the indices used to help inform auditors judgement.

**61.** Auditors should consider this report when auditing the 2023/24 land and building valuations.

## IFRS 16 lease model

**62.** The Scottish Government has issued a [model](#)\* and [guidance notes](#)\* to assist health boards account for leases and service concession arrangements in accordance with IFRS 16.

**63.** The model calculates projected liability balances for leases. The guidance recognises that the model may result in a different opening liability as at 1 April 2023 compared to the liability at 31 March 2023 due to assumptions made in the model, for example, the timing of repayments. Where the model has recognised a different opening liability, boards should investigate the difference.

**64.** Auditors should evaluate the board's explanation of any difference between the liability identified as at 31 March 2023 and the liability calculated using the model at 1 April 2023.

## Framework document

**65.** The Scottish Government has issued a [framework agreement](#) for boards setting out:

- the responsibilities of the Portfolio Accountable Officer and the Accountable Officers at each territorial health board
- the relationship between the Scottish Ministers, Scottish Government and health boards.

**66.** The framework is intended to support clear communication, the alignment of Scottish Government's priorities with NHS board planning processes and the involvement in policy and decision-making.

---

# 6. Fraud and irregularities

---

This chapter contains a summary of fraud cases and other irregularities facilitated by weaknesses in internal control at audited bodies that have recently been reported by auditors to Professional Support.

Auditors should consider whether weaknesses in internal control which facilitated each fraud may exist in their bodies and take the appropriate action.

## Payroll expenditure

**67.** An employee failed to notify the body of £20,000 of income received when they were not working.

### Key features

During Covid restrictions, an employee was required to start shielding. The body agreed to the employee being absent from work while shielding requirements were necessary. However, the employee did not return to work after shielding was no longer required, but continued to be paid.

The fraud was identified when the employee failed to complete mandatory training. The fraud was possible due to a failure to perform a back to work interview at the end of the shielding requirements.

The employee has agreed to repay the overpayment.

---

## Technical Bulletin 2024/2

### Technical developments and emerging risks from April to June 2024

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

[www.audit-scotland.gov.uk/accessibility](http://www.audit-scotland.gov.uk/accessibility)

For the latest news follow us on social media or [subscribe to our email alerts.](#)



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN  
Phone: 0131 625 1500 Email: [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)  
[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)