

Central Scotland Valuation Joint Board

Annual Audit Plan 2016/17



 AUDIT SCOTLAND

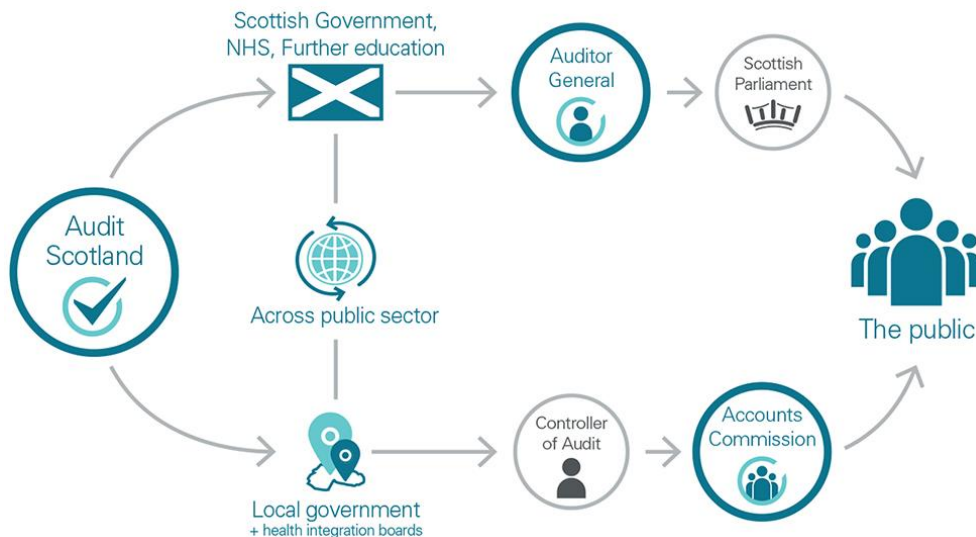
Prepared for Central Scotland Valuation Joint Board

February 2017

Who we are

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

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



About us

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

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

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

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Risks and planned work

1. This annual audit plan contains an overview of the planned scope and timing of our audit of Central Scotland Valuation Joint Board ("the board" or "CSVJB") and is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and any other relevant guidance. This plan identifies our audit work to provide an opinion on the financial statements and related matters and meet the wider scope requirements of public sector audit including the new approach to Best Value. The wider scope of public audit contributes to conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

Audit risks

2. Based on our discussions with management and a review of supporting information we have identified the following main risk areas for the board. We have categorised these risks into financial risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#).

Exhibit 1

Audit Risk	Management assurance	Planned audit work
Financial statement issues and risks		
<p>1 Risk of management override of controls</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes the risk of management override of controls in order to change the position disclosed in the financial statements.</p>	<ul style="list-style-type: none"> Due to the nature of this risk, assurances from management are not applicable. 	<ul style="list-style-type: none"> Detailed testing of journal entries. Review of significant management estimates and evaluation of the impact of any variability in key assumptions. Evaluation of significant transactions that are outside the normal course of business.
<p>2 Risk of fraud over expenditure</p> <p>Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom and the Code of Audit Practice requires consideration of risk of fraud over expenditure (excluding payroll costs which are already a core part of all annual audits). The board incurs significant expenditure on what is described as other operating costs which require audit coverage.</p>	<ul style="list-style-type: none"> There are a range of measures in place to prevent and detect fraud, including Financial Regulations, Standing Orders and a Code of Conduct for Staff. The board relies on Clackmannanshire Council's fraud policy arrangements. Participation in National Fraud Initiative as part of Clackmannanshire Council. 	<ul style="list-style-type: none"> Detailed substantive testing of revenue and expenditure transactions, focusing on the areas of greatest risk. Audit work on the National Fraud Initiative matches.

Audit Risk	Management assurance	Planned audit work
Wider dimension risks		
<p>3 Financial sustainability and financial management</p> <p>The board set its Revenue Budget 2016/17 in February 2016. The budget identified a funding gap of £105k to be addressed by a transfer from uncommitted reserves. The September 2016 outturn report highlighted a projected underspend against budget of £75k, with the underspend relating mainly to employee costs. The likelihood is future funding levels will put added pressure on the budget setting process, and make financial sustainability increasingly challenging to maintain.</p>	<ul style="list-style-type: none"> • Effective budget monitoring by management. • The achievement of underspend monitored through reports to the board. 	<ul style="list-style-type: none"> • Review financial monitoring reports and the financial position. • Focused cut-off testing at year-end to confirm expenditure and income has been accounted for in the correct financial year. • Review budget monitoring and medium term financial plans, following the approval of the 2017/18 budget.
<p>4 Transparency of Joint Board committee papers</p> <p>The board does not have its own website. Committee papers are on Falkirk Council's website but are not obviously available. Other content is held on the Scottish Assessors Association (SAA) website. There is a risk that CSVJB does not demonstrate high standards of corporate governance including openness and transparency in decision-making.</p>	<ul style="list-style-type: none"> • The SAA website is moving its content to Wordpress from 1.3.17. This will give more control over content and updates. 	<ul style="list-style-type: none"> • Review transparency of reporting in the course of the financial year and report in annual audit report.

Reporting arrangements

3. Audit reporting is the visible output from the annual audit. All annual audit plans and the outputs as detailed in [Exhibit 2](#), and any other reports on matters of public interest will be published on our website: www.audit-scotland.gov.uk.

4. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft reports will be issued to the relevant officers to confirm factual accuracy.

5. We will provide an independent auditor's report on the financial statements to Central Scotland Valuation Joint Board and the Accounts Commission. We will also provide an annual audit report. This will contain observations and recommendations on significant matters which have arisen during the course of the audit. We expect all audit outputs to be considered by the board and management depending on the scope of the reports.

6. Under the Local Authority Accounts (Scotland) Regulations 2014 there is a requirement for the board's audited accounts to be published by 31st October each year.

Exhibit 2

2016/17 Audit outputs

Audit Output	Target date	Audit Committee Date
Signed Independent Auditor's Report	30 September 2017	To be confirmed
Annual Audit Report, including ISA 260 requirements to communicate significant findings from the audit to those charged with governance	30 September 2017	To be confirmed

Audit fee

7. The agreed audit fee for the 2016/17 audit of Central Scotland Valuation Joint Board Joint Board is £7,000 (2015-16, £7,000). In determining the audit fee we have taken account of the audit risks for Central Scotland Valuation Joint Board and the management assurances in place. Our audit approach assumes receipt of the unaudited financial statements and a complete working papers package by 30 June 2017.

8. Where our audit cannot proceed as planned through, for example late receipt of unaudited financial statements, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises outwith our planned audit activity.

Responsibilities

Central Scotland Valuation Joint Board and Management

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

10. The audit of the financial statements does not relieve management or the board, as those charged with governance, of their responsibilities.

Appointed auditor

11. Our responsibilities as independent auditor are established by the 1973 Local Government (Scotland) Act and the Code of Audit Practice, and guided by the auditing profession's ethical guidance.

12. Auditors in the public sector give an independent opinion on the financial statements. We also review and report on the arrangements within the audited body to manage its performance, regularity and use of resources. In doing this, we aim to support improvement and accountability.

Audit scope and timing

Financial statements

13. The statutory financial statements audit will be the foundation and source for the majority of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:

- understanding the business of Central Scotland Valuation Joint Board and the associated risks which could impact on the financial statements
- obtaining assurances from the outgoing auditors on their approach to confirmation of closing balances to give assurances for the opening balances in the financial statements
- completing initial key system evaluations as part of our audit of Clackmannanshire Council to enhance our understanding and assessing the operation of the key controls
- identifying major transaction streams, balances and areas of estimation and understanding how the board will include these in the financial statements
- assessing the risks of material misstatement in the financial statements
- determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement including exploring the use of data analytics.

14. We will give an opinion on the financial statements as to:

- whether they give a true and fair view of the financial position of the board and its expenditure and income
- whether they have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements
- whether the information in the management commentary is consistent with the financial statements.

Materiality

15. Materiality defines the maximum error that we are prepared to accept and still conclude that our audit objective has been achieved. It helps assist our planning of the audit and allows us to assess the impact of any audit adjustments on the financial statements. We calculate materiality at different levels as described below. The calculated materiality values for Central Scotland Valuation Joint Board are set out in [Exhibit 3](#).



Exhibit 3

Materiality values

Materiality level	Amount
Planning materiality - This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure for the year ending 31 March 2016 (the latest audited accounts).	£28,000
Performance materiality - This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement we have calculated performance materiality at 75% of planning materiality.	£21,000
Reporting threshold - We are required to report to those charged with governance all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been calculated at 1% of planning materiality rounded up to a memorable metric.	£5,000



16. We review and report on other information published with the financial statements including the remuneration report and annual governance statement. Any issues identified will be reported in our annual audit report.

Timetable

17. To support the efficient use of resources it is critical that a financial statements timetable is agreed with us for the production of the unaudited accounts. A proposed timetable is included at [Exhibit 4](#) which takes account of submission requirements and planned Joint Board Committee dates.

Exhibit 4

Financial statements timetable

 Key stage	 Date
Latest submission date of unaudited financial statements with complete working papers package	30 June 2017
Latest date for final clearance meeting with Assessor and Treasurer	XX September 2017 (tbc)
Agreement of audited unsigned financial statements; Issue of Annual Audit Report, including significant issues to be reported under ISA 260 to those charged with governance	By 30 September 2017
Independent auditor's report signed	By 30 September 2017

Internal audit

18. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible. CSJVB uses Clackmannanshire Council's Internal Audit service and as part of our planning process for the council we carried out an assessment of the function.

Adequacy of Internal Audit

19. Based on a review of internal audit plans, we do not intend to place specific reliance on internal audit to support our audit opinion for CSVJB. We have also reported separately that by not identifying an "internal audit executive" the council is not complying with Public Sector Internal Audit Standards (PSIAS).

Audit dimensions

20. Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 5](#).

Exhibit 5

Audit dimensions



Financial sustainability

21. As auditors we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on the financial sustainability in the medium term (two to five years) and longer term (longer than five years). We will carry out work and conclude on the following in 2016/17:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and longer term
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps.

Financial management

22. Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively including:

- the arrangements in place to ensure systems of internal control are operating effectively
- whether the board can demonstrate the effectiveness of budgetary control system in communicating accurate and timely financial performance

- how assurance has been gained that the financial capacity and skills are appropriate
- whether appropriate and effective arrangements for the prevention and detection of fraud and corruption have been established.

Governance and transparency

23. Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information. These include:

- whether Central Scotland Valuation Joint Board can demonstrate that the governance arrangements in place are appropriate and operating effectively
- whether there is effective scrutiny, challenge and transparency on the decision-making and finance and performance reports.

We note that the board's Standing Orders have not been revised since 1997. The intention is that they will be presented to the new board when it first meets after the May elections for adoption and will be considered for review then.

The board does not have an Audit Committee, however it should be noted that it does not operate with an "Administration" and an "Opposition". Audit plans and the results of audits are submitted to meetings of the full board for scrutiny and approval/comment as appropriate.

Value for money

24. Value for money refers to using resources effectively and continually improving services.

Independence and objectivity

25. Auditors appointed by Audit Scotland must comply with the Code of Audit Practice. When auditing the financial statements auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has in place robust arrangements to ensure compliance with these standards including an annual "fit and proper" declaration for all members of staff. The arrangements are overseen by the Assistant Auditor General, who serves as Audit Scotland's Ethics Partner.

26. The engagement lead for Central Scotland Valuation Joint Board is Asif A Haseeb. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of Central Scotland Valuation Joint Board.

Quality control

27. International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor's report or opinion is appropriate in the circumstances.

28. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards Audit Scotland conducts peer reviews, internal quality reviews and is currently reviewing the arrangements for external quality reviews.

29. As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time and this may be directed to the engagement lead.

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