

Orkney Islands Council

Annual Audit Plan 2018/19



 AUDIT SCOTLAND

Prepared for Orkney Islands Council
February 2019

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 and is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and any other relevant guidance. This plan sets out the work necessary to allow us to provide an independent auditor's report and meet the wider scope requirements of public sector audit including the audit of Best Value.

2. The wider scope of public audit contributes to assessments and conclusions on financial management, financial sustainability, governance and transparency and value for money.


Adding value


3. We aim to add value to Orkney Islands Council through our external audit work by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice. In so doing, we intend to help Orkney Islands Council promote improved standards of governance, better management and decision making and more effective use of resources.


Audit risks


4. Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified the following main risk areas for Orkney Islands Council. 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 2018/19 Key audit risks

 Audit Risk	Source of assurance	Planned audit work
Financial statements 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 consideration of the risk of management override of controls to change the position disclosed in the financial statements.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance.</p>	<p>Detailed testing of journal entries.</p> <p>Review of accounting estimates.</p> <p>Focused testing of accruals and prepayments.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p>

	Audit Risk	Source of assurance	Planned audit work
2	<p>Risk of fraud over income</p> <p>Orkney Islands Council receives a significant amount of income in addition to Scottish Government funding.</p> <p>The extent and complexity of income means that, in accordance with ISA240, there is an inherent risk of fraud.</p>	<p>Effective budget monitoring and reporting by management.</p>	<p>Analytical procedures on income streams.</p> <p>Detailed testing of revenue transactions focusing on the areas of greatest risk.</p>
3	<p>Risk of fraud over expenditure</p> <p>The Financial Reporting Council's Practice Note 10 requires consideration of the risk of fraud over expenditure. The extent and nature of expenditure, for example, welfare benefits, social care payments and grants means that there is an inherent risk of fraud.</p>	<p>Clear procedures in place for staff.</p> <p>Financial authorisation limits in place for authorising and approving expenditure.</p> <p>Budget monitoring and review with significant variances investigated and discussed with budget holders.</p>	<p>Review of work performed on the National Fraud Initiative matches.</p> <p>Assess the high level key controls in areas of significant expenditure.</p> <p>Focused substantive testing of expenditure and housing benefit transactions.</p>
4	<p>Estimation and judgements</p> <p>There is a significant degree of subjectivity in the measurement and valuation of the material account areas of non-current assets and provisions. This subjectivity represents an increased risk of misstatement in the financial statements.</p>	<p>Valuations carried out every 5 years for all assets (as part of rolling revaluation programme).</p> <p>Procurement and contract criteria ensure valuations are carried out by reputable valuers.</p> <p>Detailed discussions between valuers and Orkney Islands Council estates team.</p> <p>Detailed working papers retained to support asset reviews and impairments.</p> <p>The Council will obtain an up to date valuation of the provision in respect of the council's section 75 debt regarding the Merchant Navy Officers Pension Fund – Post 78 section, prior to 31 March 2019.</p>	<p>Review and comment on the appropriateness of the Council's policy with regard to useful lives.</p> <p>Completion of 'review of the work of an expert' in accordance with ISA500 for the professional valuer.</p> <p>Focused substantive testing of asset valuations and asset useful lives.</p> <p>Focused substantive testing of provisions.</p>
5	<p>Value of Investments</p> <p>The Council requires to adopt the new standard IFRS 9 – Financial Instruments during 2018/19. Preparatory work should be undertaken to ensure full compliance with the new standard and reduce the risk of a material error within the balance sheet.</p>	<p>The Council is aware of the requirement to adopt IFRS 9 and has commenced planning for this through engagement with its Investment and Treasury Advisers.</p>	<p>Review of the approach adopted by management to ensure compliance with IFRS 9.</p> <p>Substantive testing of investment values at year end to ensure fairly stated.</p> <p>Review of financial instruments' disclosures.</p>

 Audit Risk	Source of assurance	Planned audit work
<p>6 Pension Scheme Valuation</p> <p>The Council accounts for its share of Orkney Islands Council Pension Fund in accordance with International Accounting Standard 19 Employee Benefits (IAS19). This relies on valuations of pension fund assets and liabilities by the actuary. The timing of actuarial reports means that actuaries produce their IAS 19 reports using estimated data for the final part of the year. Asset returns estimated by the actuary for the final part of the year can be significantly higher or lower than actual returns.</p> <p>The Council should ensure that asset values reported are as accurate as possible and that any potential differences due to timing of information are adequately considered.</p>	<p>The council plan to discuss further with the actuary and to review the IAS 19 report against equity movements at year end to establish whether there is a risk of material misstatement, at which point an updated IAS 19 report will be requested.</p>	<p>Review of actuarial report which supports pension assets and liabilities, as accounted for at year end in the balance sheet and the movements in the comprehensive income and expenditure statement, and all associated disclosures.</p>
<p>7 Net pension asset measurement</p> <p>Where the Council reports a net pension asset on their balance sheet we advised, last year, that consideration should be given to working with the actuary to establish an asset ceiling.</p> <p>There is a risk that the accounts could be materially misstated if it is decided that an asset ceiling would be appropriate and it has not been established.</p>	<p>Where it is likely that OIC will have an IAS 19 net asset, the council have agreed to consider the need to calculate the asset ceiling during their discussions with the actuary.</p>	<p>Review of year end transactions and balances in the primary financial statements where the need for an asset ceiling has been established.</p> <p>Review of associated IAS 19 disclosures.</p>
<p>8 Non-current assets</p> <p>The Code requires councils to consider the appropriateness of remaining useful lives of all their assets on an annual basis.</p> <p>It was noted that many of the council's historic cost assets such as infrastructure assets are being revalued on a regular basis but that the useful lives have not been reviewed for several years. As a result, many of the infrastructure assets are recorded with short useful lives.</p> <p>There is a risk that the accounts could be materially misstated if assets are recorded with incorrect useful lives.</p>	<p>The council has commenced the review of asset lives of their infrastructure assets as part of the 2018/19 financial statements preparation.</p>	<p>Focused substantive testing of non-current asset values to ensure updated asset lives have been applied.</p>

	Audit Risk	Source of assurance	Planned audit work
Wider dimension issues and risks			
9	Financial sustainability The council has not yet developed a longer term financial plan. Longer term financial planning would improve the sustainability, feasibility and practicalities of current spending plans.	The Council aims to develop a long-term financial plan for the ten year period 2019 - 30. The Council's success in its campaign to obtain fairer funding for its internal ferry services has significantly improved the financial sustainability of the authority in the short term.	Monitor progress with preparing longer term financial plans providing comment in our annual audit report 2018/19.
10	Financial management The council has a history of slippage in its capital programme due to unrealistic timescales and budgets. The original approved limit for capital expenditure during 2018/19 was £30.9 million, however, capital expenditure to date is £7.9 million resulting in a current underspend of £22.0 million. There is a risk that ineffective direction and control of the capital investment programme may lead to rescheduling of general fund capital projects which could have a significant impact on strategic priorities that rely on capital projects being completed on time.	A new capital monitoring procedure has been implemented to identify potential slippage early in the financial year and take action to minimise its impact on individual projects or the programme as a whole. Re-profiling of the 2018/19 capital programme is underway.	Monitor capital slippage and assess any actions taken to reduce slippage providing comment in our annual audit report 2018/19.
11	Annual Budget It is becoming increasingly likely that the council will receive a decrease in grant funding in the short to medium term and it therefore needs to consider reducing the level of General Fund expenditure to bring it into line with the financial support received.	Work on developing the budgets for 2019/20 is underway. It is however apparent that service pressures are building and that these significantly outweigh the savings opportunities that have been identified.	Monitor progress providing comment in our annual audit report 2018/19.
12	Change of Chief Internal Auditor The Chief Internal Auditor left her post to take up the position of Payments Manager with effect from 16 November 2018. Until a replacement is in post, there is a risk that the council may not be able to demonstrate full compliance with PSIAS nor	Following a recruitment process, the new Chief Internal Auditor will take up post in February 2019.	Personnel arrangements and completion of the operational audit plan will be monitored, providing comment in our annual audit report 2018/19.

	Audit Risk	Source of assurance	Planned audit work
	complete the operational audit plan.		
13	<p>Governance and transparency</p> <p>Pickaquooy Centre Trust</p> <p>The Service Agreement for the Trust expired in March 2015. Arrangements have rolled forward but the council had intended to review the agreement and operating arrangements between the council and the Trust. Capacity issues are hindering progress with the review.</p> <p>There is a risk that the existing, agreement no longer meets the requirements of the council.</p>	<p>Management plans to review and agree the business objectives and the financial, performance and reporting requirements of the Trust.</p> <p>The existing agreement has been extended until 1 April 2019.</p>	<p>Monitor progress in reviewing the service agreement between the council and the Trust, providing comment in our annual audit report 2018/19.</p>
14	<p>Value for money</p> <p>Change Programme</p> <p>The council's Change Programme aims to deliver significant savings of £3.8 million between 2017/18 and 2021/22. To date £1.5 million baseline savings have been approved. However £2.3 million savings have yet to be identified.</p> <p>Risk: There is a risk that the planned savings will not be achieved by 2021/22.</p>	<p>New project team appointed. Change Programme Forum (all members and senior management) meet 3 times yearly to scrutinise progress.</p>	<p>Monitor progress with identifying and achieving savings, providing comment in our annual audit report 2018/19.</p>

Source: Audit Scotland

Reporting arrangements





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

6. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officer(s) to confirm factual accuracy.

7. We will provide an independent auditor's report to Orkney Islands Council and the Accounts Commission setting out our opinions on the annual accounts. We will provide the Accountable Officer and the Accounts Commission with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

Exhibit 2

2018/19 Audit outputs

Audit Output	Target date	Audit Committee (or equivalent) Date
 Annual Audit Plan	31 March 2019	7 February 2019
 Management Report	30 June 2019	6 June 2019
 Annual Audit Report including ISA 260 requirements	30 September 2019	26 September 2019
 Signed Independent Auditor's Report	30 September 2019	27 September 2019

Source: Audit Scotland

8. The council administers one trust with charitable status. The council also prepares group accounts which incorporate three subsidiaries, one associate and one joint venture. We will perform the audit of the council's charitable trust and group accounts in parallel with the audit of Orkney Islands Council's financial statements. There are no specific risks for these audits which we require to bring to your attention.

Audit fee

9. The proposed audit fee for the 2018/19 audit of Orkney Islands Council is £186,000 (2017/18: £182,380). Included in the fee is the sum of £1,000 (2017/18: £1,000) for the audit of Orkney Islands Council General Charitable Trust. In determining the audit fee we have taken account of the risk exposure of Orkney Islands Council, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit. Our audit approach assumes receipt of the unaudited annual accounts, with a complete working papers package on 28 June 2019.

10. Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual accounts or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises out with our planned audit activity.

Responsibilities

Audit Committee and Accountable Officer

11. 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.

12. The audit of the annual accounts does not relieve management or the Monitoring and Audit Committee as those charged with governance, of their responsibilities.

Appointed auditor

13. Our responsibilities as independent auditor are established by the 1973 Act for local government, and the Code of Audit Practice (including supplementary guidance) and guided by the Financial Reporting Council's Ethical Standard.

14. Auditors in the public sector give an independent opinion on the financial statements and other specified information within the annual accounts. 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

Annual accounts

15. The annual accounts audit will be the foundation and source for most 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 Orkney Islands Council and the associated risks which could impact on the financial statements
- assessing the key systems of internal control, and establishing how weaknesses in these systems could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how Orkney Islands Council 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.

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

- they give a true and fair view of the financial position of council and its group as at 31 March 2019 and its expenditure and income for the year then ended
- the accounts have been properly prepared in accordance with the Local Government (Scotland) Act 1973 and the 2018/19 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).



characteristics



responsibilities



principal activities



risks



governance arrangements

Other information in the annual accounts

17. We also review and report on other information published within the annual accounts including the management commentary, annual governance statement and the remuneration report. We give an opinion on whether these have been compiled in accordance with the appropriate regulations and frameworks in our independent auditor's report.

18. We also read and consider any information in the annual accounts other than the financial statements and audited part of the remuneration report and report any uncorrected material misstatements.




Materiality

19. We apply the concept of materiality in planning and performing the audit. It is used in evaluating the effect of identified misstatements on the audit, and of any uncorrected misstatements, on the financial statements and in forming our opinions in the independent auditor's report.

20. We calculate materiality at different levels as described below. The calculated materiality values for Orkney Islands Council are set out in [Exhibit 3](#).

Exhibit 3

Materiality values

Materiality level	Amount
 Overall 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 of the latest audited accounts for 2017/18.	£1.5 million
 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 50% of planning materiality.	£0.750 million
 Reporting threshold (i.e., clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. This has been calculated at 1% of planning materiality.	£0.015 million



Source: Audit Scotland

Timetable

21. To support the efficient use of resources it is critical that the annual accounts timetable is agreed with us to produce the unaudited accounts. We have included an agreed timetable at [Exhibit 4](#).

Exhibit 4

Annual accounts timetable

 Key stage	 Date
Consideration of unaudited annual accounts by those charged with governance	31 August 2019
Latest submission date of unaudited annual accounts with complete working papers package	28 June 2019
Latest date for final clearance meeting with the Head of Finance	31 August 2019
Agreement of audited unsigned annual accounts and issue of Annual Audit Report to those charged with governance	16 September 2019
Signed approval of accounts by key officers and members	26 September 2019
Independent auditor's report signed	27 September 2019

Internal audit

22. Internal audit is provided by the Internal Audit section of Orkney Islands Council overseen by a Chief Internal Auditor. As part of our planning process we carry out an annual assessment of the internal audit function to ensure that it operates in accordance with Public Sector Internal Audit Standards (PSIAS). We will report any significant findings to management on a timely basis.

Using the work of internal audit

23. 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 to avoid duplication. We plan to consider the findings of the work of internal audit as part of our planning process to minimise duplication of effort and to ensure the total resource is used efficiently or effectively.

24. From our initial review of internal audit plans we plan to place formal reliance on internal audit work in the following areas:

- Cash collection
- Sundry creditors
- Sundry debtors
- PARIS (Health and Social Care System)

25. In respect of our wider dimension audit responsibilities we also plan to consider other areas of internal audit work including:

- Corporate Governance / Risk Management
- Computer audit
- Self-directed support
- Statutory performance indicators
- Stock counts

Audit dimensions

26. 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



27. In the local government sector, the appointed auditor's annual conclusions on these four dimensions will help contribute to an overall assessment and assurance on best value.

28. Our standard audits are based on four audit dimensions that frame the wider scope of public sector audit requirements. These are: financial sustainability, financial management, governance and accountability, and value for money.

Financial sustainability

29. 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 body's financial sustainability in the longer term. We define this as medium term (two to five years) and longer term (longer than five years) sustainability. We will carry out work and conclude on:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long term
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps
- whether Orkney Islands Council can demonstrate the affordability and effectiveness of funding and investment decisions it has made.

Financial management

30. Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. We will review, conclude and report on:

- whether Orkney Islands Council has arrangements in place to ensure systems of internal control are operating effectively
- whether Orkney Islands Council can demonstrate the effectiveness of its budgetary control system in communicating accurate and timely financial performance
- how Orkney Islands Council has assured itself that its financial capacity and skills are appropriate
- whether Orkney Islands Council has established appropriate and effective arrangements for the prevention and detection of fraud and corruption.

Governance and transparency

31. 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. We will review, conclude and report on:

- whether Orkney Islands Council can demonstrate that the governance arrangements in place are appropriate and operating effectively (including risk management and services delivered by, or in partnership with, others such as ALEOs).
- whether there is effective scrutiny, challenge and transparency on the decision-making and finance and performance reports.
- the quality and timeliness of financial and performance reporting.

Value for money

32. Value for money refers to using resources effectively and continually improving services. We will review, conclude and report on whether:

- Orkney Islands Council can provide evidence that it is demonstrating value for money in the use of its resources.
- Orkney Islands Council can demonstrate that there is a clear link between money spent, output and outcomes delivered.
- Orkney Islands Council can demonstrate that outcomes are improving.
- There is sufficient focus on improvement and the pace of it.

Best Value

33. The Accounts Commission agreed the overall framework for a new approach to auditing Best Value in June 2016. The introduction of the new approach coincided with the new five-year audit appointments. Auditors started using the framework for their audit work from October 2016.

34. A key feature of the new approach is that it integrates Best Value into the wider scope annual audit, which will influence audit planning and reporting. Best Value will be assessed comprehensively over the five-year audit appointment, both through the ongoing annual audit work, and through discrete packages of work to look at specific issues.

35. Orkney Islands Council received a Best Value Assurance Report in December 2017. The Council's response to the Accounts Commission's recommendations, in the form of the Best Value Response Plan, was approved in April 2018.

36. During 2017/18 we followed up the council's progress in implementing our recommendations. Exhibit 6 details the recommendations for improvement and progress reported by the council at the end of September 2018.

Exhibit 6

Progress in implementing best value recommendations

BVAR Recommendation	Progress in implementing each recommendation (at September 2018)
The council must maintain the current pace of improvement and in particular ensure it makes progress with the following: Developing a detailed workforce plan	Corporate workforce plan – a report was presented to the HR sub-committee on 31 May 2018 outlining a number of broad areas for future direction and next steps in implementing a corporate workforce plan. The work will now commence to ensure that plans are developed by March 2019.
Managing capital projects effectively to avoid slippage and the negative impact on delivering strategic priorities.	Capital programme – capital project appraisal guidance has been approved and training provided to service officers. Going forward the council plan to see improvements once the new process has bedded-in.
Longer term financial planning to ensure the sustainability, feasibility and practicalities of current spending plans. This should be done with reference, also, to the Strategic Reserve Fund.	Long-term financial planning – the Council is developing a long-term financial strategy and anticipates that the plan will be available for members by the end of 2018 and approved by March 2019.
The Council is making positive progress with the Digital Strategy Delivery Plan (2018-2020), with 12	

BVAR Recommendation	Progress in implementing each recommendation (at September 2018)
The Council must ensure it makes progress with the implementation of the IT Strategy and Digital Strategy, including the associated capital programme and completion of the review of capacity.	out of 42 actions complete. The Council is also making progress with the IT Strategy Delivery Plan, with 9 of the 31 actions complete.
To support a culture of improvement, the council should build on the self-evaluation work already in place in services and further develop a corporate approach	The Council's Performance and Risk Management Team have proposed an approach which was endorsed by the Corporate Management Team and Senior Management Team and will be reported to the Monitoring and Audit Committee in November 2018 for approval.
The council should build on its good examples of community engagement and participation to improve consistency of approach across all the communities, including those that are 'hard to reach'	Work is being undertaken with Voluntary Action Orkney. The Council also has a consultation and engagement officers group to take forward areas such as actioning the communications and community engagement strategy, social media, 'Orkney opinions', participatory budgets and community consultations.
The council should set out how its activities will contribute to improved outcomes for communities so that it can evidence and monitor the impact.	The Council Plan 2018-23, which has been agreed, has greater focus on how actions and agreed activities will impact on positive outcomes. A similar approach will be taken to Service Plan Reviews in 2019.
The council and its community planning partners should ensure clear performance management arrangements are in place to demonstrate that they are making progress towards delivering positive outcomes for the community.	A performance workshop for members of the Orkney Partnership Board, Executive Group and Delivery Groups was held on 14 June 2018, facilitated by the Improvement Service. Output and learning from the workshop is being used by delivery groups to inform the selection and monitoring of performance indicators to support their target outcomes.
The council should consider how it can enhance its councillor training and development programme and encourage better uptake by councillors of personal development opportunities.	The Chief Executive and all elected members have had one to one meetings to discuss all aspects of the council business and challenges going forward. All councillors received an in-depth induction programme and the Council is developing an elected member CPD framework through their supporting change, transformation and improvement agenda.

37. The work planned in Orkney Islands Council this year will focus on monitoring progress against the council's Best Value Response Plan with particular regard to whether the council can demonstrate what difference they are making in respect of improved outcomes and the realisation of efficiencies

38. The work will be integrated with that described above in these areas. We will seek to understand how effective the council's self-evaluation processes are in driving improvement across the council. The results of this work will be reported in the Annual Audit Report.

39. The seven councils on which a BVAR will be published during the third year of the new approach are listed in [Exhibit 7](#). Reports will be considered by the Accounts Commission in the period between March and November 2019.

Exhibit 7

2018/19 Best Value Assurance Reports



North Lanarkshire Council

Highland Council

Stirling Council

Scottish Borders Council

South Lanarkshire Council

Perth and Kinross Council

Midlothian Council

Source: Audit Scotland

Independence and objectivity

40. Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. 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 robust arrangements in place to ensure compliance with these standards including an annual “fit and proper” declaration for all members of staff. The arrangements are overseen by the Director of Audit Services, who serves as Audit Scotland’s Ethics Partner.

41. The engagement lead (i.e. appointed auditor) for Orkney Islands Council is Gillian Woolman, Audit Director. 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 Orkney Islands Council.

Quality control

42. 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.

43. 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 (and supporting guidance) 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 and internal quality reviews. Additionally, the Institute of Chartered Accountants of Scotland (ICAS) have been commissioned to carry out external quality reviews.

44. 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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