

# Scottish Children's Reporter Administration

Annual Audit Plan 2018/19



 AUDIT SCOTLAND

Prepared for Scottish Children's Reporter Administration

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 on the financial statements and meet the wider scope requirements of public sector audit

2. As detailed at paragraphs 23 to 24, in consideration of the size and nature of Scottish Children Reporters Administration (SCRA), and based on our professional judgement, we have concluded that the full application of the wider scope is not appropriate or proportionate. Our annual audit work on the wider scope is therefore focused on the appropriateness of disclosures in the governance statement and the financial sustainability of SCRA over the medium to longer term.


## Adding value

3. We aim to add value to SCRA 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 SCRA promote improved standards of governance and better management and decision making.

## 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 SCRA. 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  |
|---|--|---|
| <b>Financial statements issues and risks</b>  |  |   |
| <p><b>1 Risk of management override of controls</b></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> | <ul style="list-style-type: none"> <li>• Detailed testing of journal entries.</li> <li>• Review of accounting estimates.</li> <li>• Focused testing of accruals and prepayments.</li> <li>• Evaluation of significant transactions that are outside the normal course of business.</li> </ul> |
| <p><b>2 Risk of fraud over expenditure</b></p> <p>Most public-sector bodies are net expenditure bodies and therefore the</p>  | <p>Clear procedures in place for staff.</p>  | <ul style="list-style-type: none"> <li>• Review work on National Fraud Initiative matches</li> </ul>  |

|  | Audit Risk  | Source of assurance  | Planned audit work   |
|---|---|--|--|
|   | risk of fraud is more likely to occur in expenditure. | Financial authorisation limits in place.<br><br>Robust and timely budget monitoring and discussions. | <ul style="list-style-type: none"> <li>Assess high level key controls in relevant key financial systems</li> <li>Focussed substantive testing of expenditure.</li> </ul> |

### Wider dimension issues and risks

#### 3 Financial sustainability

The financial statements show that in recent years there has been a significant reduction in SCRA's General Fund, from £6.4million in 2014/15 to a negative position of £2.8million in 2017/18.

There is a risk that any future deterioration in the financial position of SCRA could reduce its ability to manage the impact of any further funding reductions from the Scottish Government.

Financial planning process in place with regular updates of 5 year financial plan.

Budget monitoring process in place with regular forecasts presented to Board.

- Review financial planning arrangements.
- Review financial monitoring reports to confirm the expected final outturn position at the year end.

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](http://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 SCRA, the Scottish Parliament and the Auditor General for Scotland setting out our opinions on the annual accounts We will provide the Accountable Officer and the Auditor General for Scotland 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      | Committee Date   |
|------------------------------|------------------|------------------|
| Annual Audit Plan            | 15 February 2019 | 28 February 2019 |
| Annual Audit Report          | 9 August 2019    | 29 August 2019   |
| Independent Auditor's Report | 29 August 2019   | 29 August 2019   |

Source: Audit Scotland

## Audit fee

**8.** The proposed audit fee for the 2018/19 audit of SCRA is £32,430[2017/18 £31,790]. In determining the audit fee we have taken account of the risk exposure of SCRA, 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 31 May 2019.

**9.** Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual accounts , 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

**10.** 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.

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

### Appointed auditor

**12.** Our responsibilities as independent auditors are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice (including supplementary guidance) and guided by the Financial Reporting Council's Ethical Standard.

**13.** Auditors in the public sector give an independent opinion on the financial statements and other 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

## Financial Statements

14. The annual accounts, which include the financial statements, 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 SCRA and the associated risks which could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how SCRA 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.

15. We will give an opinion on whether the financial statements:

- give a true and fair view in accordance with the Children's Hearings (Scotland) Act 2011 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2019 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2018/19 FReM; and
- have been prepared in accordance with the requirements of the Children's Hearings (Scotland) Act 2011 and directions made thereunder by the Scottish Ministers.

## Other information in the annual accounts

16. 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.

17. 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

18. 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.

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



characteristics



responsibilities



principal activities



risks



governance arrangements

## Exhibit 3

### Materiality values

| Materiality   | Amount   |
|---|----------|
| <b>Planning materiality</b> – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1.5% of gross expenditure for the year ended 31 March 19 based on the budget for 2018/19.   | £366,000 |
| <b>Performance materiality</b> – 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. | £274,000 |
| <b>Reporting threshold (i.e., clearly trivial)</b> – 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 5% of planning materiality.   | £20,000  |



Source: Audit Scotland

## Timetable

**20.** 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 |
|---|--|
| Latest submission date of unaudited annual accounts with complete working papers package      | 31 May 2019  |
| Latest date for final clearance meeting with Director of Finance                              | 31 July 2019   |
| Issue of Letter of Representation and proposed independent auditor's report                   | 9 August 2019  |
| Agreement of audited unsigned annual accounts   | 9 August 2019  |
| Issue of Annual Audit Report to those charged with governance                                 | 9 August 2019  |
| Independent auditor's report signed   | 29 August 2019   |

## Internal audit

**21.** Internal audit is provided by BDO. 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.

**22.** Overall, we concluded that the internal audit service operates in accordance with Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place. On this occasion we do not plan to place reliance on internal audit work for our financial statements responsibilities.



**23.** Based on our assessment on the risks, nature and size of SRCA we concluded that the full application of the wider scope is not appropriate. Instead our work will focus on the:

- appropriateness of disclosures in the governance statement, and
- financial sustainability of SCRA and the services it delivers over the medium to longer terms.

**24.** As a minimum the Code requires annual audit work on governance disclosures and financial sustainability for all audits. These tie in with the work to be carried out as part of the financial accounts audit around disclosures and represent a slight extension of the auditor's opinion on the appropriateness of the going concern assumption beyond the 12 to 18 months period. As part of the annual audit, we must review and conclude on whether SCRA has arrangements that demonstrate that it has planned effectively over the longer term to continue to deliver its services in the way in which they should be delivered.

## EU Withdrawal

**25.** By the end of 2018/19, all public bodies should have made an assessment of the potential impact of EU withdrawal on its operations, and the specific risks to their business, in the areas of workforce, funding and regulation. From our attendance at SCRA committees and review of the minutes of these committees, there is limited evidence of EU withdrawal being assessed for how it might impact on SCRA.

**26.** We will review SCRA arrangements for preparing for EU withdrawal and report on these in our Annual Audit Report.

## Independence and objectivity

**27.** 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.

**28.** The engagement lead for SCRA is Alasdair Craik, Senior Audit Manager. Auditing and ethical standards require the engagement lead 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 SCRA.

## Quality control

**29.** 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.

**30.** 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.

**31.** 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.

# Scottish Children's Reporter Administration

## Annual Audit Plan 2018/19

If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500 or [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)

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