

Education Scotland

Annual Audit Plan 2019/20



 AUDIT SCOTLAND

Prepared for Education Scotland
December 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

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 audit plan provides an overview of the planned scope and timing of our audit of Education Scotland for 2019/20. Our audit is carried out in accordance with International Standards on Auditing (ISAs) and the [Code of Audit Practice](#) issued by Audit Scotland.

2. The 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. The wider scope of public sector audit includes assessing arrangements for financial sustainability, governance and transparency, and value for money. We make a public report of conclusions on these matters in our annual audit report to the agency's advisory board and Auditor General.

Adding value

3. We seek to add value to the agency by identifying areas of improvement and recommending and encouraging good practice on financial sustainability, governance, risk management and performance. In so doing, we aim to help the agency promote improved standards, better management and decision making, and more effective use of resources.

Audit risks

4. Based on our experience of the agency, discussions with staff, attendance at committee meetings and a review of supporting information we have identified the following main risk areas for Education Scotland. We have categorised these risks into financial risks and wider dimension risks. The key audit risks, which require specific audit testing, are set out at [exhibit 1](#).

Exhibit 1 2019/20 Significant audit risks

 Audit Risk	Source of management assurance	Planned audit work
Financial statements issues and risks		
<p>1 Risk of management override of controls</p> <p>Auditing Standards require 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.</p>	<p>In view of the nature of this risk, assurances from management are not appropriate.</p>	<ul style="list-style-type: none"> • Detailed testing of journal entries. • Review of accounting estimates. • Focused testing of accruals and prepayments. • Evaluation of significant transactions that are outside the normal course of business.
<p>2 Risk of fraud in expenditure</p> <p>As most public-sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure.</p>	<p>Internal controls in operation in the finance team, participation in the NFI exercise and</p>	<ul style="list-style-type: none"> • Analytical procedures on expenditure streams. • Sample testing of expenditure transactions.

	Audit Risk	Source of management assurance	Planned audit work
	Due to the variety and extent of expenditure incurred by the agency there is a risk that expenditure may be materially misstated in the accounts.	segregation controls across finance systems.	
Wider dimension risk			
3	<p>Budget monitoring</p> <p>It is important that budget monitoring reports are detailed, accurate and prepared on a timeous basis. As at September 2019 there had been no detailed budget update provided to the members of the Audit and Risk Committee.</p> <p>There is a risk that incomplete budget forecasting impacts upon the ability of non-executive board members to carry out effective scrutiny of the agency's finances.</p>	Scrutiny of finances through monthly budget monitoring reports prepared for review by Leadership Team reflecting latest forecasts following discussions between Business Partners and Budget holder.	<ul style="list-style-type: none"> Review financial monitoring papers presented to committee.

Source: Audit Scotland

Reporting arrangements

5. This annual audit plan and the outputs set out at [exhibit 2](#), 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 reports will be issued to the relevant officers to confirm factual accuracy prior to the issue and publication of final reports.

7. We will provide an independent auditor's report to the agency's advisory board, the Auditor General for Scotland and the Scottish Parliament setting out our opinions on the annual accounts. We will provide the advisory board and Auditor General with an annual audit report containing observations and recommendations on significant matters which have arisen in the course of the audit.

Exhibit 2 2019/20 Audit outputs

Audit Output	Target date	Committee Date
Annual Audit Plan	2 December 2019	18 December 2019
Management Letter/Report	21 February 2020	4 March 2020
Independent Auditor's Report	19 June 2020	30 June 2020
Annual Audit Report	19 June 2020	30 June 2020

Source: Audit Scotland

Audit fee

8. The indicative audit fee for 2019/20 has not yet been advised by Audit Scotland. We will discuss and agree the audit fee with the Accountable Officer when the information becomes available. It is unlikely the 2019/20 fee will be significantly different from 2018/19 (£37,840).

9. 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 outwith our planned audit activity.

Responsibilities

Accountable Officer

10. The accountable officer has primary responsibility for ensuring the proper stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable the agency to successfully deliver its objectives. The audit of the annual report and accounts does not relieve the Accountable Officer of her responsibilities.

Appointed auditor

11. Our responsibilities as independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000, Audit Scotland's Code of Audit Practice and the auditing profession's ethical guidance.

Audit scope and timing

Annual report and accounts

12. The audit of the annual report and accounts will be the foundation and source for much 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 Education Scotland 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 Education Scotland 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.

13. We will give an opinion on:

- whether the financial statements give a true and fair view of the state of affairs of Education Scotland as at 31 March 2020 and of the income and expenditure for the year
- whether the annual report and accounts has been properly prepared in accordance with the 2019/20 Government Financial Reporting Manual (FReM)
- whether the annual report and accounts has been prepared in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000
- the regularity of the expenditure and income



characteristics



responsibilities



principal activities



risks



governance arrangements

Statutory other information in the annual report and accounts

14. We also review and report on the performance report, governance statement and the remuneration and staff report. We give an opinion on whether they have been prepared in accordance with the appropriate regulations and guidance.

Materiality

15. We apply the concept of materiality in planning and performing our audit. Materiality defines the maximum error that we are prepared to accept and still conclude that the financial statements give a true and fair view. It helps assist our planning of the audit and allows us to assess the impact of any potential audit adjustments on the financial statements. Our calculated materiality levels are set out at [exhibit 3](#).

Exhibit 3

Materiality levels

Materiality	Amount
Planning materiality – This is the figure we use in assessing the overall impact of potential adjustments on the financial statements. It has been set at 1% of gross expenditure for the year ended 31 March 2019.	£340,000
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 65% of planning materiality.	£220,000
Reporting threshold – 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.	£15,000

Source: Audit Scotland planning documentation

Timetable

16. An agreed timetable is included at [exhibit 4](#) which takes into account submission requirements and planned Audit and Risk Committee dates.

Exhibit 4

Annual report and accounts timetable

 Key stage	 Date
Latest submission date of unaudited annual report and accounts with complete working papers package	11 May 2020
Latest date for final clearance meeting with Strategic Director of Corporate Services and Governance	31 May 2020
Issue of annual audit report; Agreement of audited unsigned annual accounts	19 June 2020
Issue of independent auditor's report	30 June 2020 *

* The independent's auditor's report will be signed by the certifying auditor after the annual report and accounts are approved by the audit and risk committee.

Internal audit

17. Internal audit is provided by the Scottish Government Internal Audit Directorate (SGIAD). The annual assessment of the adequacy of internal audit will be performed centrally by Audit Scotland. We will obtain confirmation that the Scottish Government Internal Audit Service operates in accordance with Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place. Subject to that confirmation, we may consider aspects of internal audit's work in respect of our wider scope of public audit responsibilities.

Audit dimensions

18. 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 transparency and value for money.

19. The Code of Audit Practice includes provisions relating to the audit of small bodies. Where the application of the full wider audit scope is judged by auditors not to be appropriate to an audited body then the annual audit work can focus on the appropriateness of the disclosures in the governance statement and the financial sustainability of the body and its services. In light of the volume and lack of complexity of the financial transactions, we plan to apply the small body provisions of the Code to the 2019/20 audit of the Education Scotland.

Independence and objectivity

20. 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 Director of Audit Services, who serves as Audit Scotland’s Ethics Partner.

21. The engagement lead for Education Scotland is Dave Richardson, Senior Audit Manager. 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 Education Scotland.

Quality control

22. International Standard on Quality Control 1 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.

23. 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 and internal quality reviews. External quality reviews are conducted by the Institute of Chartered Accountants of Scotland.

24. 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.

Education Scotland

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