

# Grampian Valuation Joint Board

Annual Audit Plan 2019/20



 AUDIT SCOTLAND

Prepared for Grampian Valuation Joint Board  
February 2020



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

## Adding value

2. We aim to add value to Grampian Valuation Joint Board (the Joint Board) 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 the Joint Board promote improved standards of governance, better management and decision-making and more effective use of resources.

## Audit risks

3. Based on our discussions with staff, attendance at Joint Board meetings and review of supporting information we have identified the following significant audit risks for the Joint Board. We have categorised these risks, which require specific audit testing, into financial statements risks and wider dimension risks in [Exhibit 1](#).

## Exhibit 1 2019/20 Significant audit risks

 Audit Risk	Source of assurance	Planned audit work
<b>Financial statements risks</b>		
<p><b>1 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>	<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>
<p><b>2 Estimation and judgements</b></p> <p>There is a significant degree of subjectivity in the measurement and valuation of the pension liability and non-current asset values included in the annual accounts. This subjectivity represents an increased risk of misstatement in the accounts.</p>	<p>Use of professional actuaries appointed by the Pension Fund to value pension adjustments required by IAS19. Professionally qualified valuers prepare non-current asset valuations.</p>	<p>Assessment of the scope, independence and competence of the professionals engaged in providing estimates, and the appropriateness of the actuarial assumptions.</p> <p>Focussed testing of IAS19 disclosures and non-current asset valuations.</p>

	Audit Risk	Source of assurance	Planned audit work
<b>Wider dimension risks</b>			
<b>3</b>	<p><b>Financial sustainability</b></p> <p>To date the Joint Board's budgets have been prepared and approved on an annual basis with indicative budgets provided for the following year. The need to forecast and plan for the medium to longer term is becoming increasingly critical due to increased workloads resulting from the Barclay review of non-domestic rates, unplanned electoral events and reduced government funding for Individual Electoral Registration (IER). Without medium to longer term financial planning, there is a risk that the Joint Board is not fully prepared for potential changes in its funding levels and that opportunities and risks may not be fully realised or mitigated.</p>	<p>As part of the 2020/21 budget setting process, the Joint Board considered a 3-year financial plan which set out different scenarios, using a range of possible outcomes and the impact this has on the budget and requisitions from the three constituent authorities.</p>	<p>Review the three-year financial plan and the 202/21 budget setting papers.</p> <p>Comment on financial sustainability within our annual audit report.</p>
<b>4</b>	<p><b>Governance documents</b></p> <p>In previous years we have highlighted that a number of key governance documents are overdue for review and update. In response, the Assessor developed a timetable for the review of these policies. Progress against this timetable has been slower than expected and a revised timetable is being developed. Without regular review and update, there is a risk that the Joint Board's policies and procedures do not reflect current regulations and/or best practice.</p>	<p>The risk register (which is formally reviewed every quarter) will be updated to ensure that policies and procedures are reviewed to reflect current regulations and best practice. The policy schedule is currently undergoing revision to reflect resourcing constraints and will include prioritisation so that review/update resources are focussed on priority policies.</p>	<p>Obtain a revised timetable and monitor progress against this.</p> <p>Comment on governance arrangements within our annual audit report.</p>
<b>5</b>	<p><b>Introduction of IFRS 16 Leases</b></p> <p>The Government Financial Reporting Manual (FReM) requires IFRS 16 Leases, as adapted and interpreted by the FReM, to be applied to public sector bodies with effect from 1 April 2020. Early work is required to assess the practical implications and ensure arrangements are in place to support adoption of this IFRS.</p>	<p>Finance staff are working to identify all potential financing arrangements which will be encompassed by IFRS 16, in parallel with work undertaken re Moray Council accounts.</p>	<p>Ongoing engagement to assess preparations for the implementation of IFRS16 Leases.</p> <p>Comment on preparations for the implementation of IFRS16 within our annual audit report.</p>

Source: Audit Scotland

## Reporting arrangements

4. Audit reporting is the visible output from the annual audit. All annual audit plans, the outputs 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).

**5.** 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 officers to confirm factual accuracy.

**6.** We will provide an independent auditor's report to the Joint Board and Accounts Commission setting out our opinions on the annual accounts. We will also provide an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

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## Exhibit 2

### 2019/20 Audit outputs

Audit Output	Target date	Joint Board date
Annual Audit Report	14 August 2020	21 August 2020
Independent Auditor's Report	21 August 2020	N/A

Source: Audit Scotland

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### Audit fee

**7.** The agreed audit fee for the 2019/20 audit of the Joint Board is £7,450 (2018/19: £7,280). In determining the audit fee, we have taken account of the audit risks identified, 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 and a complete working papers package on 22 May 2020.

**8.** Where our audit cannot proceed as planned through, for example, late receipt of the 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

#### Joint Board and Treasurer

**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 annual accounts does not relieve management or the Joint Board, as those charged with governance, of their responsibilities.

#### Appointed auditor

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

**12.** 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 appropriateness of the disclosures in the governance statement and the financial sustainability of the Joint Board and its services. In doing this, we aim to support improvement and accountability.

# Audit scope and timing

## Annual accounts

**13.** 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 the Joint Board 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 the Joint 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.

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

- give a true and fair view, in accordance with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the 2019/20 Code), of the state of affairs of the Joint Board as at 31 March 2020 and of its income and expenditure for the year then ended
- have been properly prepared in accordance with IFRSs, as adopted by the European Union, and interpreted and adapted by the 2019/20 Code
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014 and the Local Government in Scotland Act 2003.



characteristics



responsibilities



principal activities



risks



governance arrangements

## Other information in the annual accounts

**15.** 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.

**16.** We also review the content of the annual report for consistency with the financial statements and with our knowledge. We report any uncorrected material misstatements in other information.

## Materiality

**17.** 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.

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

### Exhibit 3 Materiality values

Materiality	Amount
<b>Planning materiality</b> – this is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. It has been set at 2% of gross expenditure for the year ended 31 March 2020 based on the revenue budget for 2019/20.	£92,000
<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 70% of planning materiality.	£65,000
<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.	£5,000

Source: Audit Scotland

### Timetable

19. To support the efficient use of resources it is critical that a timetable is agreed with us for the audit of the annual accounts. [Exhibit 4](#) sets out the agreed timetable which takes account of submission requirements and planned Joint Board meeting dates.

### Exhibit 4 Annual accounts timetable

 Key stage	 Date
Latest submission date of unaudited annual accounts with complete working papers package	22 May 2020
Consideration of unaudited annual accounts by those charged with governance	19 June 2020
Latest date for final clearance meeting with Treasurer	31 July 2020
Agreement of audited unsigned annual report and accounts and issue of Letter of Representation and proposed independent auditor's report	14 August 2020
Independent auditor's report signed	21 August 2020

### Internal audit

20. Internal audit is provided by the Moray Council's internal audit section. As part of our planning process we carried out an early assessment of the internal audit function and concluded that, overall, it operates in accordance with the main requirements of the Public Sector Internal Audit Standards (PSIAS). During 2019/20 we will continue to monitor progress made in implementing the action plan resulting from the external quality assessment completed in April 2019.

## Using the work of internal audit

**21.** Auditing standards require internal and external auditors to work closely together to make best use of available audit resources, and so we seek to rely on the work of internal audit, wherever possible, to avoid duplication. We do not plan to place any formal reliance on the work of internal audit in 2019/20 as we intend to use a substantive approach for the audit of the Joint Board's financial statements. We will consider internal audit's work on corporate governance as part of our wider dimension audit responsibilities.

## Wider audit dimensions

**22.** The wider scope of public audit requires auditors to conclude on the appropriateness of the organisation's arrangements for financial management, financial sustainability, governance and transparency, and value for money. The full wider scope audit applies to all bodies unless the auditor judges that it is not appropriate due to the body's size, nature and audit risks.

**23.** As in previous years, we plan to apply the small body provisions of the Code to the Joint Board's 2019/20 audit. This is due to the lack of complexity of the Joint Board's financial transactions. Consequently, our wider scope audit work will focus on the appropriateness of the disclosures in the governance statement and the financial sustainability of the Joint Board and its services. We will also follow up on progress made in reviewing the Joint Board's governance documents.

## Independence and objectivity

**24.** 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.

**25.** The engagement lead (i.e. appointed auditor) for the Joint Board is Maggie Bruce, 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 the Joint Board.

## Quality control

**26.** 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.

**27.** 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.

**28.** 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.

# Grampian Valuation Joint Board

## Annual Audit Plan 2019/20

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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