

Scottish Land Commission

Annual Audit Plan 2019/20



 AUDIT SCOTLAND

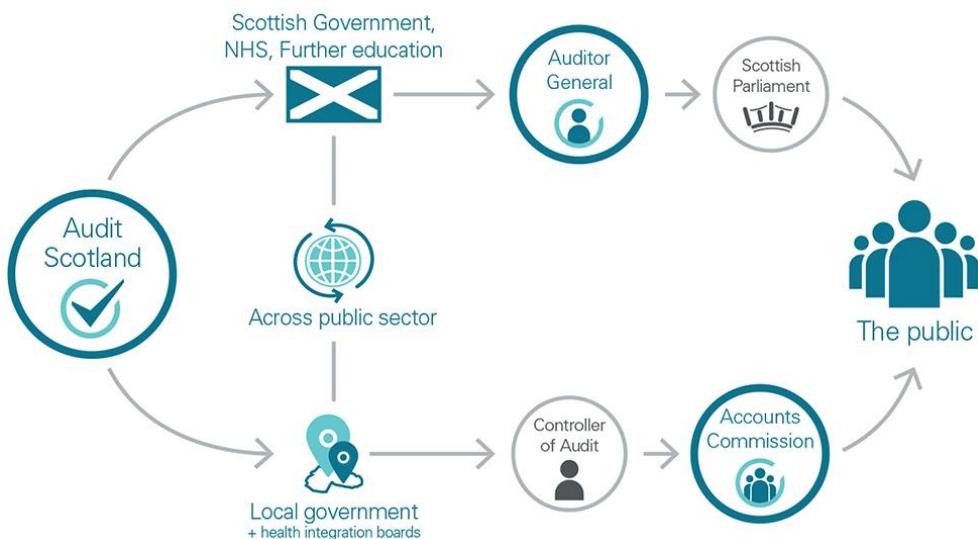
Prepared for Scottish Land Commission

January 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.

Contents

Risks and planned work	4
Audit scope and timing	8

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 report and accounts and meet the wider scope requirements of public sector audit.

Adding value

2. We aim to add value to the Scottish Land Commission (the Commission) 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 Commission 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 committee meetings and review of supporting information we have identified the following significant audit risks for the Commission. We have categorised these audit 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
Financial statements risks		
1 Management override of controls Auditing Standards require that audits are planned to consider the risk of material misstatement caused by fraud which is presumed to be a significant risk in any audit. This includes the risk that management may override controls in order to change the position disclosed in the financial statements.	Owing to the nature of this risk, assurances from management are not applicable in this instance.	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.
2 Annual report and accounts preparation In 2018/19 we identified areas where the annual report and accounts had not been prepared in line with the requirements of the Financial Reporting Manual (FReM), relevant legislation and directions made by Scottish Ministers. We also identified a number of misstatements including	Accounts preparation process has been reviewed and updated accordingly. New finance system is in place for 2019/20 with revised account codes and controls in place to reduce the risk of misstatements.	Regular discussions with the Accountable Officer to identify any issues that will impact on the preparation and audit of the annual report and accounts.

	Audit Risk	Source of assurance	Planned audit work
	<p>misclassification of transactions. There is a risk that the 2019/20 annual report and accounts submitted for audit are not FReM compliant and free from material misstatements.</p>		
3	New financial ledger	<p>The Commission implemented a new financial ledger system (SAGE 50) with effect from 1 April 2019. There is a risk that the financial statements are materially misstated due to:</p> <ul style="list-style-type: none"> • the system not operating as expected • opening balances being incorrectly input to the new system. 	<p>Finance processes have been reviewed in line with the new system. Peer review of entries into the new system. Review of operation of the new system leading to identified improvements in processes.</p> <p>An initial system review will be undertaken to understand and document the controls in place to ensure the completeness and accuracy of ledger transactions.</p> <p>Testing of the opening balances imported from the SEAS ledger system.</p>
4	Estimation and judgements	<p>There is a significant degree of subjectivity in the measurement and valuation of the work-in-progress of research contracts at the year end. This subjectivity represents an increased risk of misstatement within the financial statements.</p>	<p>The work-in-progress value is assessed based on project plans, contracts and interim outputs.</p> <p>Substantive testing of contracts in progress at year end.</p> <p>Review of project status and reasonableness of estimates and assumptions used when determining stages of completion.</p>
Wider dimension risks			
5	Financial management and financial sustainability	<p>The Commission's budgets are prepared and approved on an annual basis. Without medium to longer term financial planning (including scenario planning), there is a risk that the Commission is not fully prepared for potential changes in its funding levels and that opportunities and risks may not be fully realised/mitigated.</p>	<p>Medium term financial outlook with consideration of multi-year budgets to be incorporated into 2020-21 budget process and review of Strategic Plan.</p>
6	Introduction of IFRS 16 Leases	<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>Review of implication with professional advice ahead of implementation deadline.</p> <p>Ongoing engagement to assess preparations for the implementation of IFRS16 Leases.</p>

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.

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 officer(s) to confirm factual accuracy.

6. We will provide an independent auditor's report to the Commission, Scottish Parliament and the Auditor General for Scotland setting out our opinions on the annual report and accounts. We will provide the Accountable Officer and 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 2019/20 audit outputs

Audit Output	Target date	Committee Date
Annual Audit Report	17 August 2020	31 August 2020 (Audit and Risk Committee)
		1 September 2020 (Commissioners' meeting)
Independent Auditor's Report	1 September 2020	N/A

Source: Audit Scotland

Audit fee

7. The agreed audit fee for the 2019/20 audit of the Commission is £24,800 (2018/19: £24,500). 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 report and accounts, with a complete working papers package, on 8 June 2020.

8. Where our audit cannot proceed as planned through, for example, late receipt of the unaudited annual report and 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

Audit and Risk Committee and Accountable Officer

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 report and accounts does not relieve management or the Audit and Risk Committee, as those charged with governance, of their responsibilities.

Appointed auditor

11. 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.

12. Auditors in the public sector give an independent opinion on the financial statements and other information within the annual report and accounts. We also review and report on the appropriateness of the disclosures in the governance statement and the financial sustainability of the Commission and its services. In doing this, we aim to support improvement and accountability.

Audit scope and timing

Annual report and accounts

13. The annual report and 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 Commission's business 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 Commission 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 of the state of affairs of the Commission as at 31 March 2020 and expenditure of the Commission for the year then ended
- whether the financial statements have been properly prepared in accordance with relevant legislation, the applicable financial reporting framework and other reporting requirements
- the regularity of income and expenditure.



Other information in the annual report and accounts

15. We also review and report on statutory other information published within the annual report and accounts including the performance report, governance statement and remuneration and staff 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 statutory 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 Commission are set out in [Exhibit 3](#).

Exhibit 3

Materiality values

Materiality	Amount
Planning materiality – 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 budget for 2019/20.	£30,000
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 50% of planning materiality.	£15,000
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 4% of planning materiality.	£1,000

Source: Audit Scotland

Timetable

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

Exhibit 4

Annual report and accounts timetable

Key stage	Date
Consideration of unaudited financial statements by those charged with governance	8 June 2020
Latest submission date of unaudited annual report and accounts with complete working papers package	8 June 2020
Agreement of audited unsigned annual report and accounts and issue of Annual Audit Report to those charged with governance	24 August 2020
Independent auditor's report signed (following Commissioners' meeting)	1 September 2020

Internal audit

20. Internal audit is provided by BDO. 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 the main requirements of the Public Sector Internal Audit Standards (PSIAS). We undertake this review centrally and last year concluded that the internal audit service provided by BDO complies with the PSIAS. The current year's review has yet to be undertaken. Once completed, we will report any significant findings to management on a timely basis.

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. 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 Commission's financial statements. We plan to consider internal audit's work on corporate governance, financial planning and workforce planning 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 Commission's 2019/20 audit. This is due to the small volume and lack of complexity of the Commission'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 body and its services. We will also follow up on progress made in developing the Commission's approach to performance management.

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 Commission 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 Commission.

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 (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.

Scottish Land Commission

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

For the latest news, reports and updates, follow us on:



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
T: 0131 625 1500 E: info@audit-scotland.gov.uk
www.audit-scotland.gov.uk