

West of Scotland European Forum

Annual Audit Plan 2019/20



 AUDIT SCOTLAND

Prepared for the West of Scotland European Forum
March 2020



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

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 the West of Scotland European Forum (WoSEF) through our external audit work by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice. We will seek early engagement with WoSEF on any critical accounting issues and challenges that may arise as the accounts are prepared and/or during the audit. In so doing, we intend to help WoSEF 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 significant risks for WoSEF. We have categorised these risks into financial statements risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#).

Exhibit 1 2019/20 Significant audit risks

|  Audit Risk | Source of assurance | Planned audit work |
|--|--|---|
| Financial statements risks | | |
| <p>1 Management override of controls</p> <p>ISA 240 requires 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 of management override of controls that results in fraudulent 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>Assessment of the estimation methodology applied by WoSEF and the reasonableness of estimates contained in the financial statements.</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 |
|---|--|--|--|
| Wider dimension issues and risks | | | |
| 2 | <p>Review of Internal Audit's annual report</p> <p>The Joint Committee does not consider Internal Audit's annual report as part of its committee business.</p> <p>There is a risk that members have insufficient information to allow them to effectively fulfil their governance role.</p> | <p>Officers have confirmed that, going forward, Internal Audit's annual report will be submitted to the Joint Committee.</p> | <p>Review minutes and consider reports submitted to Joint Committee.</p> |
| 3 | <p>Future direction of WoSEF</p> <p>Uncertainty continues to exist around the future direction of WoSEF now that the UK has left the EU. The formation of a meaningful forward-looking work plan remains challenging.</p> <p>There is a risk that WoSEF does not have a clear strategic plan in place for future years.</p> | <p>The UK Government and EU agreed a transition period which would result in the continuation of existing EU programmes for the period 2014-20.</p> <p>UK access to certain 2010-27 EU Funding programmes is dependent on the outcome of negotiations.</p> | <p>Continue to monitor the Forum's preparations for EU withdrawal as governmental decisions and agreements are made.</p> |

Source: Audit Scotland

5. As set out in ISA 240, there is a presumed risk of fraud in the recognition of income. There is a risk that income may be misstated resulting in a material misstatement in the financial statements. We have rebutted the risks of material misstatement caused by fraud in income recognition in 2019/20 because WoSEF receives income by way of member contributions. The simplicity of these transactions limits the opportunity for manipulation.

6. In line with Practice Note 10, as most public-sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. We have rebutted the risk of material misstatement caused by fraud in expenditure in 2019/20 because WoSEF's expenditure is primarily related to employee costs. The controls in place around the payroll system limit the opportunity for manipulation.

Reporting arrangements

7. 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.

8. 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.

9. We will provide an independent auditor's report to West of Scotland European Forum and the Accounts Commission setting out our opinions on the annual audit. We will provide WoSEF 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

2019/20 Audit outputs

| Audit Output | Target date | Committee Date |
|------------------------------|-------------------|----------------------|
| Annual Audit Plan | 6 March 2020 | 23 March 2020 |
| Independent Auditor's Report | 30 September 2020 | September 2020 (TBC) |
| Annual Audit Report | 30 September 2020 | September 2020 (TBC) |

Source: Audit Scotland

Audit fee

10. The proposed audit fee for the 2019/20 audit of WoSEF is £2,020 (2018/19: £1,970). In determining the audit fee we have taken account of the risk exposure of WoSEF, 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 no later than 30 June 2020.

11. 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

Joint Committee and Executive Director of Finance

12. 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.

13. The audit of the annual accounts does not relieve management or the Joint Committee, as those charged with governance, of their responsibilities.

Appointed auditor

14. Our responsibilities as independent auditors 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.

15. 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

Annual accounts

16. 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 WoSEF and the associated risks which could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how WoSEF 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.

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

- give a true and fair view in accordance with applicable law and the 2019/20 Code of Practice on Local Authority Accounting in the United Kingdom (the 19/20 Code) of the state of affairs of WoSEF as at 31 March 2020 and of the income and expenditure for the year then ended
- have been properly prepared in accordance with the IFRSs as adopted by the European Union, as 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

Statutory other information in the annual accounts

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

19. We also review any information in the annual accounts other than the financial statements and report any uncorrected material misstatements.

Materiality

20. 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.

21. We calculate materiality at different levels as described below. The calculated materiality values for WoSEF 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. We have set this at 2% of gross expenditure for the year ended 31 March 2020 based on the latest audited accounts for 2018/19. | £800 |
| 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 75% of planning materiality. | £600 |
| 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 5% of planning materiality. | £40 |



Source: Audit Scotland

Timetable

22. 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 report and accounts by those charged with governance | By end of August 2020 |
| Latest submission date of unaudited annual report and accounts with complete working papers package | 30 June 2020 |
| Latest date for final clearance meeting with Executive Director of Finance | By end of August 2020 |
| Issue of Letter of Representation and proposed independent auditor's report | Early Sept 2020 |
| Issue of Annual Audit Report including ISA 260 report to those charged with governance | Early Sept 2020 |
| Agreement of audited unsigned annual accounts | Early Sept 2020 |
| Independent auditor's report signed | By end of Sept 2020 |

Internal audit

23. Internal audit is provided by the internal auditors of Glasgow City Council. 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 will report any significant findings to management on a timely basis.

Audit dimensions

24. 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.

25. 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 the 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 WoSEF.

26. We will, therefore, undertake annual audit work on the wider scope that enables conclusions to be reached on:

- the appropriateness of the disclosures in the annual governance statement
- the financial sustainability of WoSEF and the services it delivers over the medium to longer term.

27. We will review the annual governance statement and assess the financial sustainability of WoSEF as part of our financial statements audit. Conclusions on these matters will be reported accordingly in our Annual Audit Report.

Independence and objectivity

28. 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.

29. The engagement lead for WoSEF is Stephen O’Hagan, 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 WoSEF.

Quality control

30. 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.

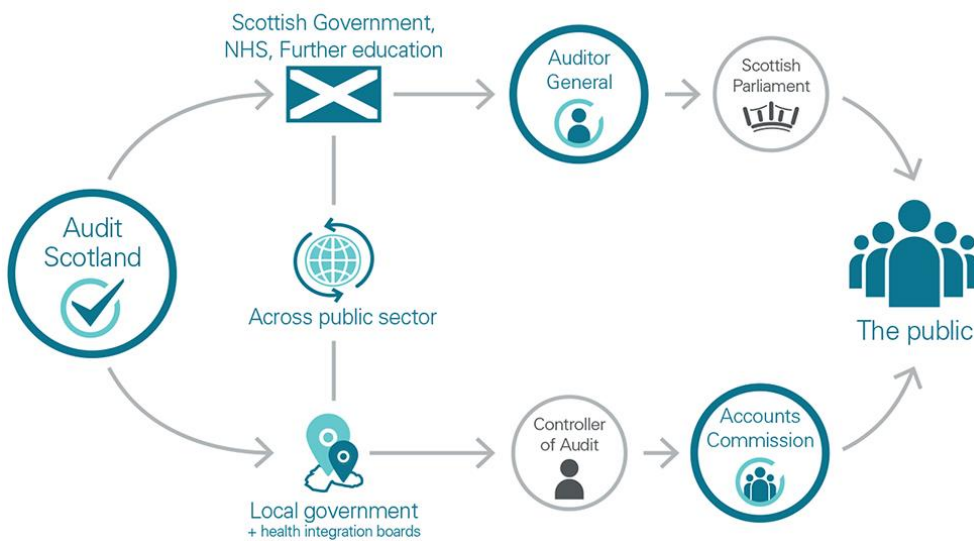
31. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice (and supporting guidance) issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that 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.

32. 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.

Appendix 1: 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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