

Scottish Land Commission

Annual Audit Plan 2020/21



 AUDIT SCOTLAND

Prepared for the Scottish Land Commission

01 February 2021

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

Introduction

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.

Impact of COVID-19

2. The public health crisis caused by the coronavirus disease 2019 (COVID-19) pandemic has had a significant and profound effect on every aspect of Scottish society. Public services have been drastically affected, requiring immediate changes to the way they are provided. The impact on public finances has been unprecedented, which has necessitated both the Scottish and UK governments providing substantial additional funding for public services as well as support for individuals, businesses and the economy. It is likely that further financial measures will be needed and that the effects will be felt well into the future.

3. In Audit Scotland we continue to manage the impacts of COVID-19 on the audit process. We expect the 2020/21 audit to be more challenging than last year as our current year's resources have been reduced by the extended 2019/20 reporting timescales and the current lockdown restrictions. The well-being of audit teams and the delivery of high-quality audits remain paramount. Our aim is to maintain a pragmatic and flexible approach to enable change at short notice as new issues emerge, or current risks change in significance. Where this impacts on annual audits, an addendum to this annual audit plan may be necessary.

Adding value

4. 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

5. 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 Scottish Land 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

2020/21 significant audit risks

Audit Risk	Source of assurance	Planned audit work
Financial statements risks		
<p>1 Risk of material misstatement due to fraud caused by the management override of controls</p> <p>International Auditing Standards require that audits are planned to consider the risk of material misstatement in the financial statements caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of fraud due to the management override of controls.</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 and other period end adjustments.</p> <p>Review of accounting estimates for bias.</p> <p>Focused testing of accruals and prepayments.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p>
<p>2 Estimations and judgements</p> <p>There is a significant degree of subjectivity in the measurement and valuation of the work-in-progress of research projects at the financial year end. This subjectivity represents an increased risk of misstatement in 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 reports and reasonableness of estimates and assumptions used when determining stages of completion.</p>
<p>3 Changes to FReM requirements for narrative reporting</p> <p>Last year we noted that there was scope to improve the performance report. This year's FReM includes a new chapter (Chapter 3) on lessons learned from the Government Financial Reporting Review, examples of good practice and guidance on improving narrative reporting. Chapters 5 (performance report) and 6 (accountability report) have also been revised. There is a risk that the 2020/21 annual report and accounts do not reflect the revised FReM requirements.</p>	<p>The updated FReM will be reviewed by staff and relevant requirements will be incorporated into the financial narrative, performance report and accountability report.</p>	<p>Review of the performance and accountability reports against requirements set out in the 2020/21 FReM.</p> <p>Review of completed disclosure checklist and investigation of any areas of non-compliance.</p>
Wider dimension risks		
<p>4 Financial sustainability</p> <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>A long-term financial strategy has been prepared and approved by the Audit & Risk Committee.</p>	<p>Review of the long-term financial strategy.</p> <p>Review of 2021/22 budget papers.</p>

Reporting arrangements

6. 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.

7. 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.

8. We will provide an independent auditor's report to the Scottish Land Commission, Scottish Parliament and the Auditor General for Scotland setting out our opinions on the annual report and accounts. We will also 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.

9. The unique and continuing challenges presented by COVID-19 means that we are starting the current year's audits later than in previous years and that audits are taking longer to complete. As a result, the reporting timescales set out below are later than in previous years and reflect available audit resources and prioritisation decisions. We will endeavour to meet these timescales but recognise that this may not be possible due to uncertainty resulting from the COVID-19 pandemic.

Exhibit 2

2020/21 audit outputs

Audit Output	Target date	Committee Date
Annual Audit Report	18 October 2021	01 November 2021 (Audit and Risk Committee) 02 November 2021 (Commissioners' meeting)
Independent Auditor's Report	02 November 2021	N/A

Source: Audit Scotland

Audit fee

10. The agreed audit fee for the 2020/21 audit of the Scottish Land Commission is £25,410 (2019/20: £24,800). In determining the audit fee, we have taken account of the Commission's risk exposure, 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 draft annual report and accounts, with a complete working papers package, on 7 June 2021.

11. Where our audit cannot proceed as planned through, for example, late receipt of the draft 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 out with our planned audit activity.

Responsibilities

Audit and Risk Committee and Accountable Officer

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

Appointed auditor

14. 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.

15. 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 arrangements within the audited body to manage its performance, regularity and use of resources. In doing this, we aim to support improvement and accountability.

16. Membership of our audit team has not changed significantly since last year.

Audit scope and timing

Annual report and accounts

17. 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
- understanding the key systems of internal control, and 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.

18. We will give an opinion on:

- whether the financial statements give a true and fair view of the Commission's state of affairs as at 31 March 2021 and its expenditure for the year then ended
- whether the financial statements have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements
- the regularity of income and expenditure.

Other information in the annual report and accounts

19. We also review and report on other information published within the annual report and accounts including the performance report, governance statement and the audited part of the 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.

20. In addition, we 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

21. 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.



characteristics



responsibilities



principal activities



risks



governance arrangements

22. 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 grant-in-aid for 2020/21.	£31,000
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 70% of planning materiality.	£21,000
Reporting threshold (i.e., clearly trivial) – we are required to report to those charged with governance all unadjusted misstatements that exceed the 'reporting threshold' amount. This has been calculated at 5% of planning materiality.	£2,000

Source: Audit Scotland

Timetable

23. 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 annual report and accounts by those charged with governance	31 May 2021
Latest submission date of unaudited annual report and accounts with complete working papers package	07 June 2021
Agreement of unsigned audited annual report and accounts, and issue of Letter of Representation and proposed independent auditor's report	18 October 2021
Independent auditor's report signed (following Commissioner's meeting)	02 November 2021

Internal audit

24. Internal audit is provided by BDO. As part of our planning process we reviewed the Commission's internal audit function and concluded that it operates in accordance with the main requirements of the Public Sector Internal Audit Standards (PSIAS).

25. A detailed external assessment of compliance against the PSIAS requires to be completed at least every five years. BDO was last externally assessed in 2015. The review due in 2020 was delayed due to COVID-19 and will now be completed in 2021.

Using the work of internal audit

26. International 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 2020/21 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 financial processes and IT general controls as part of our wider dimension audit responsibilities.

Audit dimensions

27. 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.

28. As in previous years, we plan to apply the small body provisions of the Code of Audit Practice to the Commission's 2020/21 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 Commission's financial sustainability. We will also follow up on progress made in developing the Commission's approach to performance management.

Independence and objectivity

29. 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.

30. The engagement lead (i.e. appointed auditor) for Scottish Land 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 Scottish Land Commission.

Quality control

31. 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.

32. 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.

33. 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.

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