

Dunbartonshire and Argyll & Bute Valuation Joint Board

Annual Audit Plan 2012/13



Prepared for Dunbartonshire and Argyll & Bute Valuation Joint Board
January 2013

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Summary plan

Summary of planned audit activity

Based on our analysis of the risks facing the Dunbartonshire and Argyll and Bute Valuation Joint Board ("the Board"), our planned work in 2012/13 includes:

- an audit of the financial statements and provision of an opinion on whether:
 - they give a true and fair view of the state of affairs of the Board as at 31 March 2013 and its income and expenditure for the year then ended
 - the accounts have been properly prepared in accordance with the Local Government (Scotland) Act 1973 and the 2012 Code of practice on local authority accounting in the United Kingdom (the Code) which applies from accounting periods on or after 1 April 2012
- provision of the annual report on the audit addressed to the Board and the Controller of Audit
- a review and assessment of the Board's governance and performance arrangements in a number of key areas including: review of internal controls; the adequacy of internal audit, standing orders and financial regulations.

Introduction

1. Our audit is focused on the identification and assessment of the key challenges and risks to the Board in achieving its business objectives. We also assess the risk of material misstatement or irregularity in the Board's financial statements. This report summarises the key challenges and risks facing the Board and sets out the audit work that we propose to undertake in 2012/13.
2. Our responsibilities, as independent auditor, are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice approved by the Auditor General for Scotland, and guided by the auditing profession's ethical guidance.
3. Audit in the public sector goes beyond simply providing assurance on the financial statements and the organisation's internal control environment. We are also required to provide a view on performance, regularity and the organisation's use of resources. In doing this, we aim to support improvement and accountability.

Our approach

4. Our audit approach is based on an understanding of the characteristics, responsibilities and principal activities, risks and governance arrangements of the Board, and identification of the key audit risks and challenges in the central government sector generally. We have considered and documented the sources of assurance which will make best use of our

resources and allow us to focus testing on higher risk areas during the audit of the financial statements. The main areas of assurance for the audit come from planned management action and reliance on systems of internal control. Management action being relied on for 2012/13 includes:

- clear responsibilities for provision of accounts and working papers being agreed
- delivery of unaudited accounts to agreed timescales with a comprehensive working papers package
- completion of the internal audit work programme for 2012/13.

5. Auditing standards require internal and external auditors to work closely together to make optimal use of available audit resources. We seek to rely on the work of internal audit wherever possible and as part of our planning process we carry out an early assessment of the internal audit function. Our review of the internal audit service provided by West Dunbartonshire Council Internal Audit team concluded that it operates in accordance with the CIPFA code of practice for internal audit in local government. We therefore plan to place reliance on the work of internal audit in the following areas:

- General ledger
- Payroll
- Audit assurance statement 2012/13

6. At the completion of the audit we will provide the Members and the Controller of Audit and the Auditor General for Scotland with an annual report on the audit containing observations and recommendations on significant matters which have arisen in the course of the audit.

Responsibility for the preparation of accounts

7. The Board utilises the services of West Dunbartonshire Council's finance function for its operational and accounting requirements. However it is the responsibility of the Board and the Treasurer as Accountable Officer to prepare the financial statements in accordance with the Code. This means:
- acting within the law and ensuring the regularity of transactions by putting in place systems of internal control to ensure that financial transactions are in accordance with the appropriate Board
 - maintaining proper accounting records
 - preparing financial statements timeously which give a true and fair view of the financial position of the Board as at 31 March 2013 and its expenditure and income for the year then ended
 - preparing an explanatory foreword.

Format of the accounts

8. The financial statements should be prepared in accordance with the Code which constitutes proper accounting practice for the purposes of section 12 of the Local Government Scotland Act 2003.

Audit risks and summary assurance plan

9. Based on our discussions with staff, attendance at Joint Board meetings and a review of supporting information, we have identified a range of risks for your organisation. These are summarised in table 1 below. Actions to manage these risks are either planned or already underway within the organisation. In the period prior to the submission of the unaudited financial statements, we will liaise with management on any new or emerging issues.

Table 1: Summary assurance plan

Risk	Source of Assurance	Planned Audit Action
<p>Electoral Registration / Individual Electoral Registration (IER)</p> <p>The UK Government's plans to introduce IER in 2014 and the Scottish Government's plans to introduce registration of 16 and 17 year olds to vote in the 2014 referendum have yet to be defined in detail. There is a risk that the time pressure associated with this activity may result in unbudgeted costs being incurred or insufficient resources being available.</p>	<ul style="list-style-type: none"> • The ERO and Principle Admin Officer (PAO) are members of the Cabinet Office's implementation group for Scotland and the PAO is a member of the VJB's Electoral Management System supplier's development user group to ensure early and detailed engagement in the development of policy and process. Further engagement with relevant bodies, including Scottish Government, is achieved through the Scottish Assessors Association. • Continued involvement in various groups/bodies will allow detailed processes and plans to be developed and implemented. • Early, high level, planning for implementation is in 	<ul style="list-style-type: none"> • Monitor progress through review of committee reports and discussions with relevant officers. • Report on progress in 2012/13 annual audit report.

Risk	Source of Assurance	Planned Audit Action
	<p>place.</p> <ul style="list-style-type: none"> • Cabinet Office has committed to funding any additional costs of implementation of IER in 2013/14 and 2014/15 and funding models and mechanisms are in development. • Scottish Government has indicated that funding will be available for the additional costs of registration of 16 and 17 year-olds. • Detailed implementation plans including resource/staffing requirements etc will be developed once policy, legislative and other requirements (including IT developments) are clarified. • Risk and relevant actions are included in VJB's Risk Register/Action Plan and are regularly reviewed by the Management Team. • VJB has established a contingency fund which could be accessed if necessary. • Reports will be provided to Valuation Joint Board during implementation process. 	

Materiality

10. We consider materiality, as described in International Standard on Auditing 320, and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit programme. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.
11. An item may be judged material for reasons other than its monetary or quantitative value. An inaccuracy, which would not normally be regarded as material by amount, may be important for other reasons. When such an item affects a critical point in the accounts, its materiality has to be viewed in a narrower context (for example the failure to achieve a statutory requirement, an item contrary to law, or areas affected by central government control).

Reporting arrangements

12. As the accounts have to be signed by the Accountable Officer and by the appointed auditor prior to submission, it is critical that a timetable is agreed with us for the production of the unaudited accounts. An agreed timetable is included at table 2 of this plan, which takes account of submission requirements, planned audit committee dates and audit resources.
13. 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 Assessor and Electoral Registration Officer to confirm factual accuracy. Responses to draft reports are expected within three weeks of submission.
14. A copy of all final agreed reports will be sent to the Assessor and Electoral Registration Officer, Treasurer, Internal Audit and Audit Scotland's Best Value and Scrutiny Improvement Group.
15. We will provide an independent auditor's report (audit certificate) to the Board and the Auditor General for Scotland that the audit of the financial statements has been completed in accordance with applicable statutory requirements, including an opinion on those financial statements. An annual audit report will also be produced to summarise all significant matters arising from the audit and overall conclusions about the Board's management of key risks.
16. All annual audit reports produced by Audit Scotland are published on our website: www.audit-scotland.gov.uk
17. The full range of outputs to be delivered by the audit team are summarised in the financial statements audit timetable at table 2 below.

Table 2: Financial Statements Table

Key Stage	Date
Annual Audit Plan	February 2013
Latest submission of unaudited financial statements with working papers package	3 June 2013

Key Stage	Date
Report to Treasurer on the audit of financial statements (ISA 260)	By 30 September 2013
Independent Auditors Report (audit certificate) signed	By 30 September 2013
Annual Audit Report to members and Auditor General for Scotland	31 October 2013

Quality control

18. We are committed to ensuring that our audit reflects best practice and demonstrates best value to the Risk Management Board and the Auditor General for Scotland. We operate a strong quality control framework that seeks to ensure that your organisation receives a high quality service. The framework is embedded in our organisational structures and processes and includes an engagement lead for every client; in your case this is Elaine Boyd, who is responsible for ensuring that our work is carried out on time and to a high quality standard.
19. As part of our commitment to quality and continuous improvement, we may periodically seek your views. We would be grateful for any feedback on our services.

Fees and resources

20. The fee for the audit is £7,722 (£8,011 in 2012/13) and covers:
- all of the work and outputs described in this plan
 - attendance at key meetings
 - access to advice and information on relevant audit issues
 - travel and subsistence costs.
21. The local audit team will be led by Elaine Boyd who will be responsible for the day to day management of the audit and who will be your primary contact. Details of the experience and skills of our team are provided at Appendix A. The core audit team will call on other specialist and support staff, as necessary.

Independence and objectivity

22. 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 within the audit team. We comply with ethical standards issued by the Auditing Practices Board and with Audit Scotland's requirements in respect of independence and objectivity, as summarised at Appendix B.

Appendix A - Audit team

A summarised curriculum vitae for each core team member is set out below:

Elaine Boyd FCCA - Senior Audit Manager

Elaine has eleven years' experience of public sector audit with Audit Scotland, covering local government, health and central government. Prior to this, Elaine spent seven years in a financial management and audit role within the public sector and seven years in private practice.

Laurence Slavin CPFA Senior Auditor

Laurence has nine years' experience of public sector audit with Audit Scotland, covering local government, health and education. Prior to this Laurence spent seven years in an IT audit role within the private practice and gained experience both in an audit capacity and as a consultant on large scale IT projects.

Ian Docherty - Professional Trainee

Ian joined Audit Scotland in 2011 as a Professional Trainee having completed a Bachelor of Laws (Honours) from the University of Glasgow. Ian began studying for the Institute of Chartered Accountant of Scotland qualification in September 2012.

Jim Cumming - Senior Auditor (ICT)

Jim has twelve years' experience of public sector ICT audit with Audit Scotland, covering local government, health and the central government sectors. Prior to working for Audit Scotland, Jim spent 15 years in various IT development, quality, security, system administration and project management roles in engineering.

Appendix B - Independence and objectivity

Auditors appointed by the Auditor General for Scotland are required to comply with the Code of Audit Practice and standing guidance for auditors, which defines the terms of appointment. When auditing the financial statements auditors are also required to comply with the auditing and ethical standards issued by the Auditing Practices Board (APB). The main requirements of the Code of Audit Practice, standing guidance for auditors and the standards are summarised below.

International Standard on Auditing 260 requires that the appointed auditor communicates:

- Statement that engagement team and others in the firm as appropriate, and, when applicable, network firms have complied with the APB's Ethical Standards for auditors
- All relationships and other matters between the firm, network firms, and the entity that, in the auditor's professional judgment, may reasonably be thought to bear on independence. This shall include total fees charged during the period covered by the financial statements for audit and non-audit services provided by the firm and network firms to the entity and components controlled by the entity. These fees shall be allocated to categories that are appropriate to assist those charged with governance in assessing the effect of services on the independence of the auditor, and
- The related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level.

The standard defines "those charged with governance" as "the person(s) or organisation(s) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process." In your case, the appropriate addressee of communications from the auditor to those charged with governance is the Treasurer. We reserve the right to communicate directly with members on matters which are considered to be of sufficient importance.

Our Code of Audit Practice has an overriding general requirement that appointed auditors carry out their work independently and objectively, and ensure they do not act in any way that might give rise to, or could reasonably be perceived to give rise to, a conflict of interest.

The standing guidance for auditors includes a number of specific requirements. The key requirements relevant to this audit appointment are as follows:

- auditors should not perform non-audit work for an audited body, consultancy or otherwise, without the prior approval of Audit Scotland
- auditors should, in all but exceptional circumstances, be changed at least once every five years in line with Audit Scotland's rotation policy
- auditors are required to carry out their duties in a politically neutral way

- auditors must abide by Audit Scotland's policy on gifts and hospitality.