Community Justice Scotland

Annual Audit Plan 2024/25

AUDIT SCOTLAND

Prepared for Community Justice Scotland
March 2025

Contents

Accessibility

You can find out more and read this report using assistive technology on our website www.audit.scot/accessibility.

Introduction

Purpose of the Annual Audit Plan

1. The purpose of this Annual Audit Plan is to provide an overview of the planned scope and timing of the 2024/25 audit of Community Justice Scotland's (CJS) annual report and accounts. It outlines the audit work planned to meet the audit requirements set out in auditing standards and the Code of Audit Practice, including supplementary guidance.

Appointed auditor and independence

2. Stuart Nugent, of Audit Scotland, has been appointed by the Auditor General for Scotland as external auditor of CJS for the period from 2024/25 until 2026/27.

3. The audit team is independent of CJS in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. This standard imposes stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with ethical standards. The arrangements are overseen by the Executive Director of Innovation and Quality, who serves as Audit Scotland's Ethics Partner.

4. The Ethical Standard requires auditors to communicate any relationships that may affect the independence and objectivity of the audit team. There are no such relationships pertaining to the audit of CJS to communicate.

Audit scope and responsibilities

Scope of the audit

5. The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:

- An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement.
- An opinion on statutory other information published with the financial statements in the annual report and accounts, the Performance Report, and the Governance Statement, and an opinion on the audited part of the Remuneration and Staff Report.
- Concluding on the financial sustainability of the CJS and a review of the Governance Statement.
- Reporting on the CJS arrangements for securing Best Value.
- Provision of an Annual Audit Report setting out significant matters identified from the audit of the annual report and accounts and the wider scope areas specified in the Code of Audit Practice.

Responsibilities

6. The Code of Audit Practice sets out the respective responsibilities of CJS and the auditor. A summary of the key responsibilities is outlined below.

Auditor's responsibilities

7. The responsibilities of auditors in the public sector are established in the Public Finance and Accountability (Scotland) Act 2000. These include providing an independent opinion on the financial statements and other information reported within the annual report and accounts, and concluding on CJS's arrangements in place for the wider scope areas.

Community Justice Scotland's responsibilities

8. CJS has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

- Establishing arrangements to ensure the proper conduct of its affairs.
- Preparation of an annual report and accounts, comprising financial statements and other information that gives a true and fair view.
- Establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.
- Implementing arrangements to ensure its financial position is soundly based.
- Making arrangements to secure Best Value.
- Establishing an internal audit function.

Audit of the annual report and accounts

Introduction

9. The audit of the annual report and accounts is driven by materiality and the risks of material misstatement in the financial statements, with greater attention being given to the significant risks of material misstatement. This chapter outlines materiality, the significant risks of material misstatement that have been identified, and the impact these have on the planned audit procedures.

Materiality

10. The concept of materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected misstatements on the financial statements or other information reported in the annual report and accounts.

11. Broadly, the concept of materiality is to determine whether matters identified during the audit could reasonably be expected to influence the decisions of users of the financial statements. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor's professional judgement.

12. The materiality levels determined for the audit of CJS are outlined in Exhibit 1.

Exhibit 1
2024/25 Materiality levels for Community Justice Scotland

Materiality	Amount
Materiality – based on an assessment of the needs of users of the financial statements and the nature of CJS's operations, the benchmark used to determine materiality is gross expenditure based on the audited 2023/24 financial statements. Materiality has been set at 2% of the benchmark.	£73,000

Materiality	Amount
Performance materiality – this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate that further audit procedures are required. Using professional judgement, performance materiality has been set at 75% of planning materiality.	£55,000
Reporting threshold – all misstatements greater than the reporting threshold will be reported.	£3,650

Source: Audit Scotland

Significant risks of material misstatement to the financial statements

13. The risk assessment process draws on the audit team's cumulative knowledge of CJS, including the nature of its operations and its significant transaction streams, the system of internal control, governance arrangements and processes, and developments that could impact on its financial reporting.

14. Based on the risk assessment process, significant risks of material misstatement to the financial statements have been identified and these are summarised in Exhibit 2, page 8. These are the risks which have the greatest impact on the planned audit approach, and the planned audit procedures in response to the risks are outlined in Exhibit 2.

15. The risk assessment process is an iterative and dynamic process. The assessment of risks set out in this Annual Audit Plan and Exhibit 2 may change as more information and evidence is obtained over the course of the audit. Where such changes occur, these will be reported to CJS and those charged with governance, where relevant.

Exhibit 2

Significant risks of material misstatement to the financial statements

Risk of material misstatement	Planned audit response
Fraud caused by management override of controls Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.	The audit team will: • Test journals entries, focusing on those that are assessed as higher risk, such as those affecting revenue and expenditure recognition around the year-end. • Evaluate significant transactions outside the normal course of business. • Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements. • Assess changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias. • Substantive testing of income and expenditure transactions around the year end to confirm they are accounted for in the correct year. • Consider any usual material transactions identified through our audit testing for any evidence of management override of controls. • Review accounting estimates for evidence of management bias including assessing any changes to the methods and underlying assumptions used.

Risk of material misstatement	Planned audit response
Move to Oracle Cloud Fusion during the year CJS's ledger system, SEAS, was replaced with a new cloud-based system, Oracle Fusion, from 1 October 2024. As CJS switched their ledger system part way through the year, this means that there is a risk around the migration of data from SEAS onto Oracle Fusion. This also means that information from two systems will be used to prepare the 2024/25 accounts. The audit team is aware that there have been issues with the implementation of the new system around payroll and financial reporting. The ledger is the primary information source for the preparation of the annual accounts and therefore issues with its use or reliability represent a pervasive risk for the accuracy of the whole financial statements.	The audit team will: • Evaluate the design and implementation of controls within the new system, including workaround arrangements. • Assess the adequacy of controls in place for ensuring that balances are brought forward from the old system into the new system correctly. • Review the governance arrangements in place for overseeing the implementation of the new system, and the testing carried out in advance of the implementation date. • Obtain assurances from the Scottish Government audit team regarding the adequacy of controls and processes in place for the new system.

Source: Audit Scotland

Key audit matters

16. The Code of Audit Practice requires public sector auditors to communicate key audit matters. Key audit matters are those matters, that in the auditor's professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit.

17. In determining key audit matters, auditors consider:

- Areas of higher or significant risk of material misstatement.
- Areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty.
- Significant events or transactions that occurred during the year.

18. The matters determined to be key audit matters will be communicated in the Annual Audit Report. Exhibit 2 outlines the significant risks of material misstatement to the financial statements that have been identified, including those that have greatest impact on the planned audit procedures and require most attention when performing the audit.

Wider scope and Best Value

Introduction

19. Reflecting the fact that public money is involved, the Code of Audit Practice requires that public audit is planned and undertaken from a wider perspective than in the private sector. The wider scope audit set out by the Code of Audit Practice broadens the audit of the annual report and accounts to include consideration of additional aspects or risks in four wider scope areas.

20. Due to the nature and size of CJS and its limited financial activity, it is considered a less complex body for the wider scope audit. Therefore, the wider scope audit does not consider all four wider scope areas and is instead limited to concluding on the financial sustainability of CJS.

21. Financial sustainability means looking forward over the medium and longer term in planning the services to be delivered and how they will be delivered effectively. This is assessed by considering CJS's medium- to longer-term planning for service delivery. The financial sustainability of CJS with be reported in the Annual Audit Report.

Significant wider scope and Best Value risks

22. The risk assessment process has identified significant risks in the wider scope areas and Best Value as outlined in Exhibit 3, and this includes the planned audit procedures in response to the risks.

Exhibit 3
Significant wider scope and Best Value risks

Description of risk	Planned audit response
Financial sustainability CJS does not have any medium- or longer-term financial plans. As result, financial planning at CJS may not be able to achieve the priorities in the Corporate Plan. A three-year financial plan will be developed in 2025/26 for the new Strategic Plan 2026-2029. This will be provided to the board and senior management during 2025/26.	The audit team will: • Review any financial plans developed and assess the appropriateness of the financial plans and any assumptions made. • Carry out an on-going review of the financial reporting provided to management.

Source: Audit Scotland

Reporting arrangements, timetable and audit fee

Audit outputs

23. The outputs from the 2024/25 audit include:

- This Annual Audit Plan.
- An Independent Auditor's Report to CJS, the Auditor General for Scotland, and the Scottish Parliament setting out opinions on the annual report and accounts.
- An Annual Audit Report to CJS and the Auditor General for Scotland setting out significant matters identified from the audit of the annual report and accounts, conclusions from the wider scope and Best Value audit, and recommendations, where required.

24. The matters to be reported in the outputs will be discussed with CJS for factual accuracy before they are issued. All outputs from the audit will be published on Audit Scotland's website, apart from the Independent Auditor's Report, which is included in the audited annual report and accounts.

25. Target dates for the audit outputs are set by the Auditor General for Scotland. In setting the target dates for the audit outputs, consideration is given to the target date for laying the annual report and accounts, which is 31 October 2025 for central government non-departmental public bodies, and other similar bodies.

26. The Independent Auditor's Report and Annual Audit Report are planned to be issued by the target date of 31 October 2025.

Audit timetable

27. Achieving the timetable for production of the annual report and accounts, supported by complete and accurate working papers, is critical to delivery of the audit to agreed target dates. Exhibit includes a timetable for the audit, which has been agreed with management. Agreed target dates will be kept under review as the audit progresses, and any changes required, and their potential impact, will be discussed with CJS and reported to those charged with governance, where required.

Exhibit 4
2024/25 audit timetable

Audit activity	CJS target date	Audit team target date	Relevant committee date
Issue of Annual Audit Plan		31 March 2025	14 May 2025
Annual report and accounts:			
• Consideration of unaudited annual report and accounts by those charged with governance	14 May 2025		14 May 2025
• Submission of unaudited annual report and accounts and all working papers to audit team	30 July 2025		
• Latest date for audit clearance meeting	12 September 2025	12 September 2025	
• Issue of draft Letter of Representation, proposed Independent Auditor's Report, and proposed Annual Audit Report		8 October 2025	22 October 2025
• Agreement of audited and unsigned annual report and accounts	26 September 2025	26 September 2025	
• Approval by those charged with governance and signing of audited annual report and accounts	29 October 2025		29 October 2025
• Signing of Independent Auditor's Report and issue of Annual Audit Report		29 October 2025	29 October 2025

Source: Audit Scotland

Audit fee

28. CJS's audit fee is determined in line with Audit Scotland's fee setting arrangements. The proposed audit fee for the 2024/25 audit is set out in Exhibit .

29. In setting the audit fee, it is assumed that CJS has effective governance arrangements in place and the complete annual report and accounts will be provided for audit in line with the agreed timetable. The audit fee assumes there will be no significant changes to the planned scope of the audit. Where the audit cannot proceed as planned, for example, due to incomplete or inadequate working papers, the audit fee may need to be increased.

Exhibit 5
Audit fee (including VAT)

Total 2024/25 fee	£18,330

Source: Audit Scotland

Other matters

Internal audit

30. CJS is responsible for establishing an internal audit function as part of an effective system of internal control. As part of the audit, the audit team will obtain an understanding of internal audit, including its nature, responsibilities, and activities. Internal audit for CJS is provided by the Scottish Government Directorate for Internal Audit and Assurance. As part of our planning process we carry out an annual assessment of internal audit to ensure that it operates in accordance with Public Sector Internal Audit Standards (PSIAS). This review will be carried out by our Scottish Government external audit team in spring 2025. We will report any significant findings to management in our Annual Audit Report.

31. While internal audit and external audit have differing roles and responsibilities, external auditors may seek to rely on the work of internal audit where it is considered appropriate. A review of internal audit's 2024/25 audit plan was carried out to identify if there were any areas where the audit team could rely on its work. The audit team concluded it will not rely on internal audit's work. However, the audit team will review internal audit's reports and assess if there is any impact on the audit.

Audit quality

32. Audit Scotland is committed to the consistent delivery of high-quality audit. Audit quality requires ongoing attention and improvement to keep pace with external and internal changes. Details of the arrangements in place for the delivery of high-quality audits is available from the Audit Scotland website.

33. The International Standards on Quality Management (ISQM) applicable to Audit Scotland for 2024/25 audits are:

- ISQM (UK) 1, which deals with an audit organisation's responsibilities to design, implement, and operate a system of quality management (SoQM) for audits. Audit Scotland's SoQM consists of a variety of components, such as: governance arrangements and culture to support audit quality, compliance with ethical requirements, ensuring Audit Scotland is dedicated to high-quality audit through engagement performance and resourcing arrangements, and ensuring there are robust quality monitoring arrangements in place. Audit Scotland carries out an annual evaluation of its SoQM and has concluded it complies with this standard.

- ISQM (UK) 2, which sets out arrangements for conducting engagement quality reviews, which are performed by senior management not involved in an audit, to review significant judgements and conclusions reached by the audit team, and the appropriateness of proposed audit opinions on high-risk audits.

34. To monitor quality at an individual audit level, Audit Scotland carries out internal quality reviews on a sample of audits. Additionally, the Institute of Chartered Accountants of England and Wales (ICAEW) carries out independent quality reviews on a sample of audits.

35. Actions to address deficiencies identified by internal and external quality reviews are included in a rolling Quality Improvement Action Plan, which is used to support continuous improvement. Progress with implementing planned actions is monitors on a regular basis by Audit Scotland's Quality and Ethics Committee.

36. Audit Scotland may periodically seek the views of CJS on the quality of audit services provided. The audit team would also welcome feedback at any time.

Community Justice Scotland

Annual Audit Plan 2024/25

Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
Phone: 0131 625 1500 **Email: info@audit.scot**
www.audit.scot

AS.5.0