Perth and Kinross Council Charitable Funds

Annual Audit Plan 2024/25

Prepared for Perth and Kinross Council Charitable Funds
April 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 Perth and Kinross Council Charitable Funds' statement of 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. Maggie Bruce, of Audit Scotland, has been appointed by the Accounts Commission as external auditor of Perth and Kinross Council Charitable Funds for the period from 2022/23 until 2026/27. The 2024/25 financial year is, therefore, the third of the five-year audit appointment.

3. Maggie Bruce and the audit team are independent of Perth and Kinross Council Charitable Funds 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 Perth and Kinross Council Charitable Funds 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 statement of accounts.
- Provision of an Annual Audit Report setting out significant matters identified from the audit of the statement of accounts.

Responsibilities

6. The Code of Audit Practice sets out the respective responsibilities of Perth and Kinross Council Charitable Funds 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 Local Government (Scotland) Act 1973. These include providing an independent opinion on the financial statements and other information reported within the statement of accounts.

Perth and Kinross Council Charitable Funds’ responsibilities

8. Perth and Kinross Council Charitable Funds have 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 them to successfully deliver their objectives. The features of proper financial stewardship include:

- Establishing arrangements to ensure the proper conduct of their affairs.
- Preparation of the statement of 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 their financial position is soundly based.

Audit of the statement of accounts

Introduction

9. The audit of the statement of 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 statement of 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 Perth and Kinross Council Charitable Funds are outlined in Exhibit 1.

Exhibit 1
2024/25 Materiality levels for Perth and Kinross Council Charitable Funds

Materiality	
Materiality – based on an assessment of the needs of users of the financial statements and the nature of the charitable funds' operations, the benchmark used to determine materiality is gross assets based on the audited 2023/24 financial statements. Materiality has been set at 2% of the benchmark.	£49,000

Materiality	
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.	£37,000
Reporting threshold – all misstatements greater than the reporting threshold will be reported.	£2,500

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 Perth and Kinross Council Charitable Funds, including the nature of their operations and their 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. 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 may change as more information and evidence is obtained over the course of the audit. Where such changes occur, these will be reported to management 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: • Evaluate the design and implementation of controls over journal entry processing. • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries. • Test journal 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.

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.

Reporting arrangements, timetable and audit fee

Audit outputs

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

- This Annual Audit Plan.
- An Independent Auditor's Report to Perth and Kinross Council Charitable Funds and the Accounts Commission setting out opinions on the statement of accounts.
- An Annual Audit Report to Perth and Kinross Council Charitable Funds and the Accounts Commission setting out significant matters identified from the audit of the statement of accounts, and recommendations, where required.

20. The matters to be reported in the outputs will be discussed with officers to confirm 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 statement of accounts.

21. Target dates for the audit outputs are set by the Accounts Commission. In setting the target dates for the audit outputs, consideration is given to the statutory date for approving the statement of accounts, which is 30 September 2025 for local government bodies.

22. The audit team will be unable to achieve the target date of 30 September 2025 for issuing the Independent Auditor's Report and Annual Audit Report. This is due to the late completion of prior year audits, ongoing resourcing challenges within Audit Scotland and the need to prioritise the quality of our audit work over meeting target dates, as required by the Accounts Commission, and consistent with messaging from the Financial Reporting Council which has made clear that audit quality takes precedence. The audit team are working towards completion of the audit in December 2025 and are working towards delivering the audit by target dates over the course of the five-year audit appointment.

Audit timetable

23. Achieving the timetable for production of the statement of 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 officers and reported to those charged with governance, where required.

Exhibit 3
2024/25 audit timetable

Audit activity	Charitable Funds target date	Audit team target date	Relevant committee date
Issue of Annual Audit Plan	N/A	10 April 2025	17 April 2025 (by email)
Statement of Accounts			
• Consideration of unaudited Statement of Accounts by those charged with governance	30 June 2025	N/A	30 June 2025 (by email)
• Submission of unaudited Statement of Accounts and all working papers to audit team	30 June 2025	N/A	N/A
• Latest date for audit clearance meeting	17 November 2025	17 November 2025	N/A
• Issue of draft Letter of Representation, proposed Independent Auditor's Report, and proposed Annual Audit Report	N/A	24 November 2025	N/A
• Agreement of audited and unsigned Statement of Accounts	24 November 2025	24 November 2025	N/A
• Approval by those charged with governance and signing of audited Statement of Accounts	TBC	N/A	TBC

Audit activity	Charitable Funds target date	Audit team target date	Relevant committee date
• Signing of Independent Auditor's Report and issue of Annual Audit Report	N/A	TBC	N/A

Source: Audit Scotland

Audit fee

24. Perth and Kinross Council Charitable Funds' audit fee is determined in line with Audit Scotland's fee setting arrangements. The agreed audit fee for the 2024/25 audit is £6,550.

25. In setting the audit fee, it is assumed that Perth and Kinross Council Charitable Funds have effective governance arrangements in place and a complete statement of 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.

Other matters

Audit quality

26. 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.

27. 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.

28. 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.

29. 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 monitored on a regular basis by Audit Scotland's Quality and Ethics Committee.

30. Audit Scotland may periodically seek the views of Perth and Kinross Council Charitable Funds on the quality of audit services provided. The audit team would also welcome feedback at any time.

Perth and Kinross Council Charitable Funds

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