

# North Lanarkshire Council

Annual Audit Plan 2017/18



 AUDIT SCOTLAND

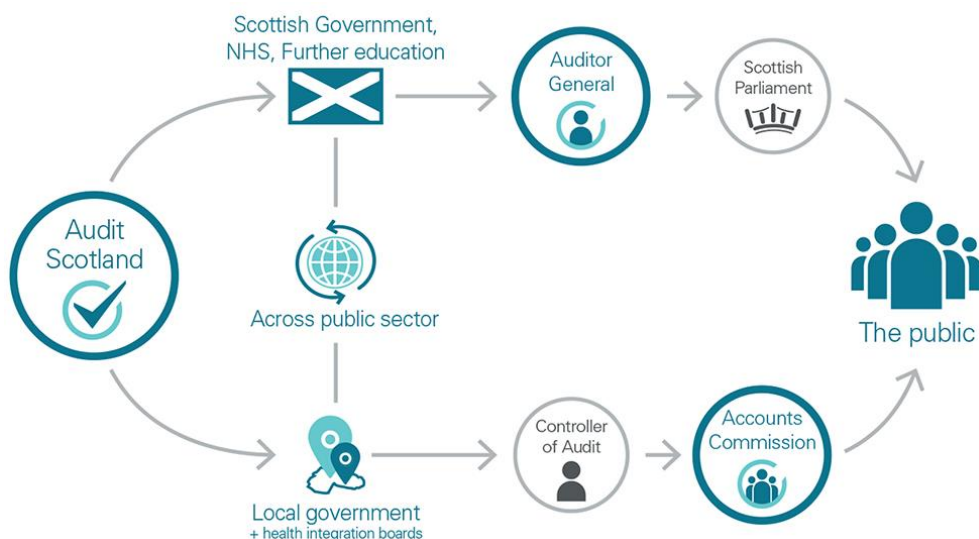
Prepared for North Lanarkshire Council

February 2018

## 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

1. This annual audit plan contains an overview of the planned scope and timing of our audit and is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and any other relevant guidance. This plan identifies our audit work to provide an opinion on the financial statements and related matters and meet the wider scope requirements of public sector audit including the new approach to Best Value. The wider scope of public audit contributes to conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

## Audit risks

2. Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified the following main risk areas for North Lanarkshire Council. We have categorised these risks into financial risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#).

## Exhibit 1

### 2017/18 Key audit risks

Audit Risk	Source of assurance	Planned audit work
<b>Financial statement issues and risks</b>		
<p>1 <b>Risk of management override of controls</b></p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes the risk of management override of controls in order to change the position disclosed in the financial statements.</p>	<ul style="list-style-type: none"> <li>Owing to the nature of this risk, assurances from management are not applicable in this instance.</li> </ul>	<ul style="list-style-type: none"> <li>Detailed testing of journal entries.</li> <li>Review of significant accounting estimates.</li> <li>Focused testing of accruals and prepayments.</li> <li>Evaluation of significant transactions that are outside the normal course of business.</li> <li>Substantive testing of income and expenditure transactions at the financial year end.</li> </ul>

Audit Risk	Source of assurance	Planned audit work
<p><b>2 Risk of fraud over income</b></p> <p>North Lanarkshire Council receives a significant amount of income in addition to Scottish Government funding. The extent and complexity of income means that, in accordance with ISA240, there is an inherent risk of fraud.</p>	<ul style="list-style-type: none"> <li>• Use of clearly defined procedures designed to ensure income due to the Council is properly recorded and collected.</li> <li>• Comparison of income against budget.</li> <li>• Management review by qualified finance staff.</li> </ul>	<ul style="list-style-type: none"> <li>• Establishing and testing the operation of key controls over key income streams, including NDR, council tax and housing rents.</li> <li>• Analytical procedures on income streams.</li> <li>• Detailed substantive testing of revenue transactions focusing on the areas of greatest risk.</li> </ul>
<p><b>3 Risk of fraud over expenditure</b></p> <p>The Code of Audit Practice extends the assumptions within ISA240 to the risk of fraud associated with areas of expenditure. North Lanarkshire Council incurs significant expenditure in areas such as welfare benefits, social care payments and grants and therefore there is an inherent risk of fraud.</p>	<ul style="list-style-type: none"> <li>• Procedures designed to ensure that payments are only made where they are appropriate and have been properly authorised.</li> <li>• Additional procedures incorporated into arrangements relating to specific expenditure streams which are designed to prevent and detect fraud.</li> </ul>	<ul style="list-style-type: none"> <li>• Walkthrough of controls over social care payments.</li> <li>• Detailed substantive testing of expenditure including grants and housing benefit transactions.</li> </ul>
<p><b>4 Group accounting</b></p> <p>North Lanarkshire Council has a complex group requiring the consolidation of a range of subsidiaries, associated and joint venture. The consolidation arrangements are being reviewed for 2017/18 following audit recommendations, particularly in relation to the consistency of accounting treatment and the elimination of intra group transactions. There is a risk over the accuracy and completeness of the group accounts.</p>	<ul style="list-style-type: none"> <li>• Financial Solutions staff continue to review and update working processes for the preparation of the Group Accounts to ensure accuracy and completeness.</li> </ul>	<ul style="list-style-type: none"> <li>• Review of the revised consolidation process to confirm appropriateness.</li> <li>• Receipt of completed component audit questionnaires and, where appropriate, meetings with the auditors of material components.</li> <li>• Detailed review of intra-group transactions.</li> </ul>
<p><b>5 Non current asset accounting</b></p> <p>Our 2016/17 audit identified aspects of the accounting for surplus assets and asset disposals where improvements were required to ensure the correct accounting treatment. There is a risk that the value of non current assets is materially misclassified and disposal transactions are inaccurate.</p>	<ul style="list-style-type: none"> <li>• Financial Solutions staff work closely with Assets &amp; Estates to put processes in place to ensure correct accounting treatment of Surplus Assets and Asset Disposals is applied. Changes are expected to be fully implemented for financial year 2018/19.</li> </ul>	<ul style="list-style-type: none"> <li>• Review of the valuation process when an asset becomes surplus.</li> <li>• Substantive testing of a sample of surplus assets and assets disposals.</li> </ul>

Audit Risk	Source of assurance	Planned audit work
<p><b>6 Restatement of the CIES</b></p> <p>The Code requires authorities to present the service analysis on the face of the Comprehensive Income and Expenditure Statement (CIES) based on the organisational structure under which they operate. The current internal reporting results in double counting of internal recharges which require an adjusting entry in the CIES. Also due to the council's restructure in 2017/18, there is a need to restate the CIES. There is a risk that the income and expenditure is not correctly classified.</p>	<ul style="list-style-type: none"> <li>Clearly defined procedures, involving and overseen by qualified finance staff, for ensuring financial information produced is in accordance with the Accounting Code of Practice.</li> <li>Financial Solutions staff continue to review working practices and consider the appropriateness of restating 2016/17 CIES for the minor changes made to the Council's Structure in 2017/18.</li> </ul>	<ul style="list-style-type: none"> <li>Review work done on mapping the audited 2016/17 CIES to the new service structure to ensure completeness, accuracy and categorisation of comparative information.</li> <li>Reviewing the consistency, accuracy and completeness of internal management reporting</li> </ul>
<p><b>7 Internal controls – management reviews</b></p> <p>In our 2016/17 audit we reported control weaknesses relating to NDR second officer checks, and payroll validation checks and review of exit packages prior to inclusion in the accounts. Similar weaknesses were also identified within the housing benefits subsidy testing for housing benefits. There is a risk that loss of staff reduces the council's capacity to operate controls over segregation of duties and second officer reviews impacting on the robustness of the control environment.</p>	<ul style="list-style-type: none"> <li>Management remains focused on ensuring that key controls, including appropriate segregation of duties and second officer checks, are operating effectively in response of all key financial processes.</li> </ul>	<ul style="list-style-type: none"> <li>Controls testing of management review arrangements in key areas including NDR, council tax, and payroll.</li> <li>Reliance on the work of internal audit on payment authorisation.</li> <li>Extended substantive testing of NDR, payroll, housing benefit and exit payments.</li> </ul>

Audit Risk	Source of assurance	Planned audit work
<b>Wider dimension risks</b>		
<p><b>8 Financial sustainability</b></p> <p>In 2017/18 the council introduced a 5 year financial plan to 2022/23 which sets out the likely level of resources available and considers the level of provision required to meet ongoing cost pressures. However the longer term financial position, beyond the 5 year period, has not been considered and the short to medium term savings plans to support the 5 year financial plan are still in development. The level of usable reserves held by the council has also decreased in recent years. As the financial challenges are unlikely to reduce there is a risk that future budget gaps will not be addressed.</p>	<ul style="list-style-type: none"> <li>• The current 5 year plan highlights the difficulties of forecasting over the longer term given the uncertainty currently facing Local Government in Scotland. The 5 year plan will be updated when appropriate and will be supplemented with reports on the shorter term financial outlook.</li> <li>• Reserves are kept under review to ensure their level remains appropriate and sufficient.</li> </ul>	<ul style="list-style-type: none"> <li>• Undertake specific audit work on financial planning which will include consideration of scenario planning, assumptions, savings identified and level of non recurring savings.</li> <li>• Specific review of pay assumptions included within the financial plan.</li> <li>• Reliance on the work of internal audit on financial sustainability.</li> </ul>
<p><b>9 Financial management</b></p> <p>The approved 2017/18 budget includes savings of £25 million. At period 6 monitoring reports show that 79% of these will be achieved. Actions are being taken to identify alternative savings. In addition the reporting of reserves suggests that the majority of the earmarked reserves will be utilised in year and no detail is provided on plans to contribute to reserves for use in future years. There is a risk that the council fails to make the required level of savings and achieves an unplanned deficit in 2017/18. There is also a risk that the reserves position is not clearly understood when making financial decisions.</p>	<ul style="list-style-type: none"> <li>• Financial management arrangements including monitoring in-year of the delivery of approved financial savings.</li> <li>• Regular budgetary control reports produced to assist monitoring and assessing expenditure against budget including explaining variances, highlighting areas of risk and/or uncertainty and identifying any planned management actions.</li> </ul>	<ul style="list-style-type: none"> <li>• Review budget monitoring reports and the financial position at the year end.</li> <li>• Consider the robustness and completeness of financial monitoring and though the year</li> <li>• Undertake specific work on the financial reporting with a focus on reserves.</li> <li>• Reliance on the work of internal audit on financial savings.</li> </ul>

Audit Risk	Source of assurance	Planned audit work
<p><b>10 Governance and transparency</b></p> <p><b>Business Continuity</b></p> <p>A council wide Business Continuity Plan was approved in September 2017, however each service is responsible for creating their own plans for critical services. From a review of the business continuity arrangements there is little focus on contingency arrangements if current IT systems are not available. There is a risk that the council do not have the necessary continuity arrangements in place to limit the impact on services.</p>	<ul style="list-style-type: none"> <li>All Services have now completed their overview assessment for Business Continuity which has allowed the completion of the Corporate Business Continuity Plan which was approved in August 2017.</li> <li>Following this, standard Business Continuity guidance and templates created by the Council's Resilience Planning Team are being completed by Services. This documentation will allow a consistent and detailed approach towards Business Continuity planning within each of the Council services. Services are expected to complete their detailed Business Continuity Plans using this new standardised documentation by 31<sup>st</sup> March 2018.</li> <li>Starting in October 2018, it is intended that a report in relation to BCP performance will be submitted to elected members annually each Autumn.</li> </ul>	<ul style="list-style-type: none"> <li>Review a sample of business continuity arrangements for selected key systems.</li> <li>Reliance on the work of internal audit on business continuity planning.</li> </ul>
<p><b>11 Cyber security and PSN compliance</b></p> <p>North Lanarkshire Council, in common with other public sector bodies, is at risk from cyber attacks and losses of personal data. In addition the council currently does not have a valid Public Sector Network (PSN) certificate. An action plan has been implemented to address concerns and a new application will be submitted in March 2018. There is a risk that a cyber attack or continued non-compliance with PSN could lead to financial and reputational losses for the council.</p>	<ul style="list-style-type: none"> <li>Management continues to progress remedial actions identified in a recent health check prior to a formal PSN submission planned for March 2019. The outcome of this submission will be reported to senior management and elected members. Work is also underway in respect of the development of a revised Cyber Security Incident Response Plan.</li> </ul>	<ul style="list-style-type: none"> <li>Review the council's assessment against the Scottish Government Cyber Resilience Action Plan.</li> <li>Review progress against the PSN accreditation action plan ahead of the council's submission in March 2018.</li> </ul>



Audit Risk	Source of assurance	Planned audit work
<p><b>12 Registers of Interest</b></p> <p>During 2016/17 we reviewed the registers of interest completed by councillors and found that the arrangements met basic requirements in most areas. However we noted there was no process for senior officers to complete register of interests. There is a risk that poorer conduct and behaviours would undermine established systems of control .</p>	<ul style="list-style-type: none"> <li>In November 2017 the Policy and Resources committee agreed a template for completion of officer's interests and a revised code of conduct for chief officers was approved.</li> </ul>	<ul style="list-style-type: none"> <li>Completion of 'Your Reputation @ Risk' survey, which assess business conduct and behaviours of staff within the Council.</li> <li>Review progress of implementing new arrangements for registers of interest for senior officers.</li> </ul>
<p><b>13 Management Commentary</b></p> <p>Our 2016/17 audit noted that the management commentary could provide more information on the financial outturn against budget and achievement of savings to improve transparency of financial reporting. There is a risk that the management commentary is inconsistent with other financial information impacting on the overall transparency.</p>	<ul style="list-style-type: none"> <li>Financial Solutions Staff continue to review the information included within the Management Commentary to ensure compliance with the regulations and ensure consistency with other reported Council financial information including financial outturn.</li> </ul>	<ul style="list-style-type: none"> <li>Undertake specific discussions with officers on management commentary.</li> <li>Detailed review of management commentary disclosures and assessment of the transparency of budget and outturn narrative and information presented with the financial statements.</li> </ul>

**3.** The Charities Accounts (Scotland) Regulations 2006 specify the accounting and auditing requirements for Scottish registered charities. The council administers five trusts with charitable status and an education trust, with total assets of £1.8 million. We will perform the audit of the council's charitable trusts in parallel with the audit of North Lanarkshire Council's financial statements. There are no specific risks for these audits which we require to bring to your attention.

## Reporting arrangements

**4.** 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](http://www.audit-scotland.gov.uk).

**5.** 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 officers to confirm factual accuracy.

**6.** We will provide an independent auditor's report to North Lanarkshire Council and the Accounts Commission setting out our opinions on the annual accounts. We will provide the members of North Lanarkshire Council and the Accounts Commission with an annual report on the audit containing observations and recommendations on significant matters which have arisen in the course of the audit.

## Exhibit 2

### 2017/18 Audit outputs

Audit Output	Target date	Audit and Scrutiny Panel Date
Interim Management Report	16 April 2018	30 April 2018
Annual Audit Report	10 September 2018	26 September 2018
Independent Auditor's Report	28 September 2018	26 September 2018

### Audit fee

**7.** The agreed audit fee for the 2017/18 audit of North Lanarkshire Council is £498,880 (2016/17 £494,250). In determining the audit fee we have taken account of the risk exposure of the council, 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 accounts, with a complete working papers package on 29 June 2018.

**8.** We have also agreed an audit fee of £8,600 for the charitable trusts that are detailed at paragraph 3 and [Exhibit 4](#).

**9.** Where our audit cannot proceed as planned through, for example, late receipt of unaudited 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 outwith our planned audit activity.

### Responsibilities

#### Audit and Scrutiny Panel and Chief Executive

**10.** 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.

**11.** The audit of the financial statements does not relieve management or the Audit and Scrutiny Panel, as those charged with governance, of their responsibilities.

#### Appointed auditor

**12.** Our responsibilities as independent auditor are established by the Local Government (Scotland) Act 1973 Act and the Code of Audit Practice (including supplementary guidance) and guided by the auditing profession's ethical guidance.

**13.** Auditors in the public sector give an independent opinion on the financial statements and other specified 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

## Financial statements

**14.** The statutory financial statements audit will be the foundation and source for the majority 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 North Lanarkshire Council and the associated risks which could impact on the financial statements
- assessing the key systems of internal control, and establishing how weaknesses in these systems could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how North Lanarkshire Council 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.

**15.** We will give an opinion on the financial statements as to whether they:

- give a true and fair view in accordance with applicable law and the 2017/18 Code of the state of affairs of the council and its group as at 31 March 2017 and of the surplus/ deficit on the provision of services of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2017/18 Code; and
- 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.

## Materiality

**16.** 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 opinion in the auditor's report. We calculate materiality at different levels as described below. The calculated materiality values for North Lanarkshire Council are set out in [Exhibit 3](#).



### Exhibit 3

#### Materiality values

Materiality level	Amount
<b>Planning materiality</b> – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure for the year ended 31 March 2017 based on the audited accounts.	£13 million
<b>Performance materiality</b> – 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 25% of planning materiality.	£3 million
<b>Reporting threshold</b> – We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been calculated at 1.2% of planning materiality rounded to a memorable numeric.	£150,000

17. We also set separate materiality levels for the five trusts with charitable status and the education trust as outlined in [Exhibit 4](#).

### Exhibit 4

#### Trust Materiality values

Trust	Planning materiality	Performance materiality	Reporting threshold
Dall Christmas Charity Fund for the Poor	£101	£91	£5
JC McNaught Poor Children's Holiday Fund	£70	£63	£4
Mitchell Fund for Poor of Shotts	£46	£41	£2
Sir Robert Stewart Bequest for Deserving Poor of Parish of Cambusnethan	£27	£24	£1
Sir Robert Stewart Bequest for Poor of Parish of Shotts	£65	£59	£3
North Lanarkshire Council Educational Endowments	£34,500	£20,700	£690

18. We review and report on other information published with the financial statements including the management commentary, annual governance statement and the remuneration report. Any issues identified will be reported to the Audit and Scrutiny Panel.



## Timetable

19. To support the efficient use of resources it is critical that a financial statements timetable is agreed with us for the production of the unaudited accounts. A proposed timetable is included at [Exhibit 5](#) which takes account of submission requirements and planned Audit and Scrutiny Panel dates:

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## Exhibit 5

### Financial statements timetable

 Key stage	 Date
Consideration of unaudited financial statements by those charged with governance	27 June 2018
Latest submission date of unaudited annual accounts with complete working papers package	29 June 2018
Issue of draft Annual Audit Report for clearance	31 August 2018
Latest date for final clearance meeting with Head of Business for Financial Solutions	5 September 2018
Agreement of audited unsigned annual accounts; Issue of Annual Audit Report including ISA 260 requirements, letter of representation and proposed independent auditor's report	10 September 2018
Latest date for signing of independent auditor's report	28 September 2018
Latest date for signing of WGA return	28 September 2018

## Internal audit

20. 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. Internal audit is provided by the Internal Audit section at North Lanarkshire Council.

### Adequacy of Internal Audit

21. As part of our planning process we carried out an early assessment of the internal audit function and concluded that it has sound documentation standards and reporting procedures in place and complies with the main requirements of the Public Sector Internal Audit Standards (PSIAS).

### Areas of Internal Audit reliance

22. To support our audit opinion on the financial statements we plan to place formal reliance on the following planned internal audit reviews:

- Application controls within the payroll system
- Payment authorisation
- Council tax reduction scheme

**23.** In respect of our wider dimension audit responsibilities we also plan to consider other areas of internal audit work including:

- Financial management - achievement of planned financial savings
- Financial management - approaches to financial sustainability
- Contract management
- ICT security
- City Deal.

## Audit dimensions

**24.** Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 6](#).

### Exhibit 6

#### Audit dimensions



Source: Code of Audit Practice

**25.** In the local government sector, the appointed auditor's annual conclusions on these four dimensions will help contribute to an overall assessment and assurance on Best Value.

### Financial sustainability

**26.** As auditors we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on the body's financial sustainability in the medium term (two to five years) and longer term (longer than five years). We will carry out work and conclude on:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long term. This could include an assessment of any key risk arising from EU withdrawal and changes in national policy and demand.
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps

- whether the council can demonstrate the affordability and effectiveness of funding and investment decisions it has made.

### Financial management

**27.** Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively and including:

- the arrangements in place to ensure systems of internal control are operating effectively
- whether the council can demonstrate the effectiveness of budgetary control system in communicating accurate and timely financial performance
- how assurance has been gained that the financial capacity and skills are appropriate
- whether appropriate and effective arrangements for the prevention and detection of fraud and corruption have been established.

### Governance and transparency

**28.** Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision – making and transparent reporting of financial and performance information. These include:

- whether the council can demonstrate that the governance arrangements in place are appropriate and operating effectively including services delivered by, or in partnership with, others such as ALEOs
- whether there is effective scrutiny, challenge and transparency on the decision – making and finance and performance reports.
- the quality and timeliness of financial and performance reporting.

### Value for money

**29.** Value for money refers to using resources effectively and continually improving services. We will review, conclude and report on whether North Lanarkshire Council can provide evidence that it is demonstrating value for money in the use of its resources, has a focus on improvement and that there is a clear link to the outcomes delivered.

### Strategic plan for the five year appointment

**30.** As part of our responsibility to report on the audit dimensions over the current audit appointment the areas of proposed audit work we have identified are outlined in [Exhibit 7](#). This will be subject to annual review.

## Exhibit 7

### Strategic plan

Dimension	2016/17	2017/18	2018/19 to 2020/21
<b>Financial sustainability</b>	Financial planning	Financial planning - <i>focus on 5 year plan</i>	Financial planning
<b>Financial management</b>	Financial governance and resource management	Financial reporting - <i>focus on reserves</i>	Financial governance and resource management City Deals
<b>Governance and transparency</b>	Governance	Organisational restructuring	Community engagement / empowerment
<b>Value for money</b>		Performance / outcomes	Transformational change Working with partners

Source: Audit Scotland

## Best Value

**31.** The Accounts Commission agreed the overall framework for a new approach to auditing Best Value in June 2016. The introduction of the new approach coincides with the new five year audit appointments. Auditors have been using the framework for their audit work since October 2016.

**32.** A key feature of the new approach is that it integrates Best Value into the wider scope annual audit, which will influence audit planning and reporting. Best Value will be assessed comprehensively over the five year audit appointment, both through the on-going annual audit work, and also through discrete packages of work to look at specific issues. Conclusions and judgements on Best Value will be reported through:

- the Annual Audit Report
- an Annual Assurance and Risks report that the Controller of Audit will provide to the Commission that will highlight issues from across all 32 council
- a Best Value Assurance Report (BVAR) for each council that will be considered by the Accounts Commission at least once in a five year period.

**33.** The six councils on which a BVAR will be published during the second year of the new approach are listed in [Exhibit 8](#). Reports will be considered by the Accounts Commission in the period between April 2018 and November 2018.



## Exhibit 8

### 2017/18 Best Value Assurance Reports

East Ayrshire Council	Glasgow City Council
Dumfries and Galloway Council	West Dunbartonshire Council
East Lothian Council	Fife Council

Source: Audit Scotland

**34.** The work planned in North Lanarkshire Council this year will focus on the council's arrangements for demonstrating Best Value in financial planning and reporting, organisational restructuring and performance / outcomes. The work will be integrated into the audit approach and will be reporting in the Annual Audit Report.

### Independence and objectivity

**35.** Auditors appointed by the Accounts Commission 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 in place robust arrangements 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.

**36.** The engagement lead for North Lanarkshire Council is Brian Howarth, Assistant Director. The engagement lead for the charitable trusts and the education trust is Carole Grant, 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 North Lanarkshire Council or the trusts.

### Quality control

**37.** 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 is appropriate in the circumstances.

**38.** 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 relevant supporting guidance) issued by Audit Scotland and approved by the Accounts Commission for Scotland. To ensure that we achieve the required quality standards Audit Scotland conducts peer reviews, internal quality reviews and external quality reviews.

**39.** 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.

## **Adding Value**

**40.** Through our audit work we aim to add value to North Lanarkshire Council. We will do this by ensuring our Annual Audit Report provides a summary of the audit work done in the year together with clear judgements and conclusions on how well the council has discharged its responsibilities and how well it has demonstrated the effectiveness of its arrangements. Where it is appropriate we will recommend actions that support continuous improvement and summarise areas of good practice identified from our audit work.

# North Lanarkshire Council

## Annual Audit Plan 2017/18

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