

Glasgow City Region – City Deal Cabinet Joint Committee

Annual Audit Plan 2018/19



 AUDIT SCOTLAND

Prepared for by Glasgow City Region – City Deal Cabinet Joint Committee

February 2019

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 sets out the work necessary to allow us to provide an independent auditor's report on the financial statements and meet the wider scope requirements of public sector audit.
2. The wider scope of public audit contributes to assessments and conclusions on financial management, financial sustainability, governance and transparency and value for money.


Adding value


3. We aim to add value to the Glasgow City Region – City Deal Cabinet Joint Committee (the Cabinet) through our external audit work by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice. We will seek early engagement with the Cabinet on any critical accounting issues and challenges that may arise as the accounts are prepared and/or during the course of the audit. In so doing, we intend to help the Cabinet promote improved standards of governance, better management and decision-making and more effective use of resources.

Audit risks

4. 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 the Cabinet. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#).

Exhibit 1 2018/19 Key audit risks

 Audit Risk	Source of assurance	Planned audit work
Financial statements issues and risks		
<p>1 Risk of management override of controls</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 consideration of the risk of management override of controls to change the position disclosed in the financial statements.</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.</p> <p>Assessment of the estimation methodology applied by the Cabinet and the reasonableness of the estimates contained in the financial statements.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p>
<p>2 Risk of fraud over income</p>	<p>The Cabinet receives its income by way of member contributions. The simplicity of these</p>	<p>We have rebutted the risk of fraud over income, therefore no specific</p>

 Audit Risk	Source of assurance	Planned audit work
Under ISA 240 (UK) there is a presumed risk that income may be misstated due to improper recognition of income.	transactions limits the opportunity for manipulation. Therefore, we have rebutted the presumed risk of improper recognition of income.	procedures are required as part of our planned audit work.
3 Risk of fraud over expenditure Most public sector bodies are net expenditure bodies and therefore the risk of fraud is more likely to occur in expenditure.	Clear scheme of delegation in place. Appropriate processes for the authorisation, separation of duties and workflow associated with expenditure.	Analytical procedures on expenditure streams. Detailed testing of expenditure transactions focusing on the areas of greatest risk.

Wider dimension issues and risks

4 Gateway Review Process The Cabinet has identified that the single biggest risk to the City Deal programme is the failure to meet the criteria for the Gateway Review process. If the Glasgow City Region fails to pass the Gateway Review 1 in December 2019 then the next tranche of City Deal Infrastructure Funding (£250 million for 2020/21-2024/25) is at risk.	Development and agreement of the Local Evaluation Plan. Successful delivery of the: <ul style="list-style-type: none"> • Baseline Report October • One Year Out Report • Gateway Review Report. Implementation of any improvement actions identified in these reports.	Review of the Local Evaluation Plan. Review of the planned reports. Assessment of the Cabinet's progress in the implementation of any recommendations arising from these reports.
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Source: Audit Scotland

Reporting arrangements

5. Audit reporting is the visible output for the annual audit. We will publish all annual audit plans and the outputs as detailed in [Exhibit 2](#), and any other outputs on matters of public interest, on our website: www.audit-scotland.gov.uk.

6. We will report matters arising from our audit on a timely basis and will include agreed action plans. We will issue draft management reports to the relevant officer(s) to confirm factual accuracy.

7. We will provide an independent auditor's report to the Cabinet and the Accounts Commission setting out our opinions on the annual accounts. We will provide the Cabinet and the Accounts Commission with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

Exhibit 2 2018/19 Audit outputs

Audit Output	Target date	Committee Date
Annual Audit Plan	5 February 2019	9 April 2019
Annual Audit Report	6 August 2019	13 August 2019

Audit Output	Target date	Committee Date
Independent Auditor's Report	6 August 2019	13 August 2019

Source: Audit Scotland

Audit fee

8. The proposed audit fee for the 2018/19 audit of the Cabinet is £8,230 (2017/18: £7,990). In determining the audit fee, we have taken account of the risk exposure of the Cabinet, the planned management assurances in place and the level of Internal Audit's work that we plan to use. Our audit approach assumes receipt of the unaudited annual accounts, with a complete working papers package by 10 June 2019.

9. Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual accounts or being unable to make use of 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

Joint Committee and Executive Director of Finance

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 annual accounts does not relieve management or the Joint Committee, as those charged with governance, of their responsibilities.

Appointed auditor

12. Our responsibilities as independent auditors are established by the 1973 Act for local government, and the Code of Audit Practice (including supplementary guidance) and guided by the Financial Reporting Council's Ethical Standard.

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

Annual accounts

14. The annual 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 business of the Cabinet and the associated risks which could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how the Cabinet 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 whether the financial statements:

- give a true and fair view in accordance with applicable law and the 2018/19 Code of Practice on Local Authority Accounting in the United Kingdom (the 2018/19 Code) of the financial position of the Cabinet as at 31 March 2019, and its income and expenditure for the year then ended
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by 2018/19 Code
- 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.

Other information in the annual accounts

16. We also review and report on other information published within the annual accounts including the management commentary and annual governance statement. We give an opinion on whether these have been compiled in accordance with the appropriate regulations and frameworks in our independent auditor's report.

17. We also read and consider any information in the annual accounts other than the financial statements and audited part of the remuneration report and report any uncorrected material misstatements.

Materiality

18. 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.

19. We calculate materiality at different levels as described below. The calculated materiality values for the Cabinet are set out in [Exhibit 3](#).



characteristics



responsibilities



principal activities



risks



governance arrangements

Exhibit 3

Materiality values

Materiality	Amount
<p>Planning materiality – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. We have set materiality at 2% of gross expenditure for the year ended 31 March 2018 based on the latest audited accounts for 2017/18.</p> <p>We will review this level of materiality in light of any emerging significant risks and the reported outturn position as declared in the 2018/19 financial statements when presented for audit.</p>	£24,810
<p>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 75% of planning materiality.</p>	£18,610
<p>Reporting threshold (i.e., clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. This has been calculated at 5% of planning materiality.</p>	£1,300



Source: Audit Scotland

Timetable

20. To support the efficient use of resources it is critical that the annual accounts timetable is agreed with us to produce the unaudited accounts. We have included an agreed timetable at [Exhibit 4](#).

Exhibit 4

Annual accounts timetable

 Key stage	 Date
Consideration of unaudited annual accounts by those charged with governance	4 June 2019
Latest submission date of unaudited annual accounts with complete working papers package	10 June 2019
Latest date for final clearance meeting with the Executive Director of Finance	23 July 2019
Issue of Letter of Representation and proposed independent auditor's report	30 July 2019
Agreement of audited unsigned annual accounts	6 August 2019
Issue of Annual Audit Report including ISA 260 report to those charged with governance	6 August 2019
Independent auditor's report signed	14 August 2019

Internal audit

21. Internal audit is provided by the internal auditors of Glasgow City Council (GCC). As part of our planning process we carry out an annual assessment of the

internal audit function to ensure that it operates in accordance with Public Sector Internal Audit Standards (PSIAS). We will report any significant findings to management on a timely basis.

Using the work of internal audit

22. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to use the work of internal audit wherever possible to avoid duplication. We plan to consider the findings of the work of internal audit as part of our planning process to minimise duplication of effort and to ensure the total resource is used efficiently or effectively, including their reviews of:

- assurance provision
- risk mitigation and risk management
- programme budget monitoring and control arrangements.

Audit dimensions

23. Our standard audits are based on four audit dimensions that frame the wider scope of public sector audit requirements. These are: financial sustainability, financial management, governance and accountability and value for money.

24. The Code of Audit Practice includes provisions relating to the audit of small bodies. Where the application of the full wider audit scope is judged by auditors not to be appropriate to an audited body then the annual audit work can focus on the appropriateness of the disclosures in the governance statement and the financial sustainability of the body and its services. In the light of the volume and lack of complexity of the financial transactions, we plan to apply the small body provisions of the Code to the 2018/19 audit of the Cabinet.

25. We will, therefore, undertake annual audit work on the wider scope that enables conclusions to be reached on:

- the appropriateness of the disclosures in the annual governance statement
- the financial sustainability of the Cabinet and the services it delivers over the medium to longer term.

26. We will review the annual governance statement and assess the financial sustainability of the Cabinet as part of our financial statements audit. Conclusions on these matters will be reported accordingly in our Annual Audit Report.

Independence and objectivity

27. 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.

28. The engagement lead for the Cabinet is Stephen O’Hagan, Senior Audit Manager. Auditing and ethical standards require the appointed auditor, Fiona Kordiak, 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 Glasgow City Region – City Deal Cabinet Joint Committee.

Quality control

29. 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.

30. 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.

31. 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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