

Community Justice Scotland

Annual Audit Plan



 AUDIT SCOTLAND

Prepared for Community Justice Scotland

March 2024

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Introduction

Summary of planned audit work

1. This document summarises the work plan for our 2023/24 audit of Community Justice Scotland (CJS). The main elements of the audit include:

- 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 audit opinion on regularity and other statutory information published with the financial statements in the annual report and accounts, including the Performance Report, Governance Statement, and the Remuneration and Staff Report
- consideration of arrangements for securing Best Value
- provision of an Independent Auditor's Report expressing an opinions on the different elements of the annual report and accounts and an Annual Audit Report setting out conclusions on the wide scope areas.

Respective responsibilities of the auditor and Audited Body

2. The [Code of Audit Practice](#) sets out in detail the respective responsibilities of the auditor and the Community Justice Scotland. Key responsibilities are summarised below.

Auditor responsibilities

3. Our responsibilities as appointed auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice (including [supplementary guidance](#)) and guided by the Financial Reporting Council's Ethical Standard.

4. Auditors in the public sector give an independent opinion on the financial statements and other information within the annual report and accounts. We also review and report on the wider scope arrangements in place at CJS. In doing this, we aim to support improvement and accountability.

5. The appointed auditor, and engagement lead, for Community Justice Scotland is Christopher Gardner, Senior Audit Manager.

Community Justice Scotland's responsibilities

6. CJS is responsible for maintaining adequate accounting records and internal controls, and preparing financial statements for audit that give a true and fair view. They are also required to produce other reports in the annual report and accounts in accordance with applicable requirements.

7. CJS has 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 deliver their objectives.

Adding Value

8. We aim to add value by: tailoring audit work to the circumstances of CJS and the audit risks identified; being constructive and forward looking; providing independent conclusions; attending meetings of the Audit and Risk Committee; and by recommending and encouraging good practice. In so doing, we will help CJS promote improved standards of governance, better management and decision making, and more effective use of resources.

Annual report and accounts

Introduction

9. The annual report and accounts are an essential part of demonstrating the CJS' stewardship of resources and its performance in the use of those resources.

10. Appointed auditors are required to perform an audit of the financial statements, consider other information within the annual report and accounts, and express a number of audit opinions in an Independent Auditor's Report in accordance with International Standards on Auditing (ISAs) in the UK, Practice Note 10 from the Public Audit Forum which interprets the ISAs for the public sector, and guidance from Audit Scotland.

11. We focus our work on the areas of highest risk. As part of our planning process, we perform a risk assessment highlighting the audit risks relating to each of the main financial systems relevant to the production of the financial statements.

Materiality

12. The concept of materiality is applied by auditors in planning and performing the audit, and in evaluating the effect of any uncorrected misstatements on the financial statements. We are required to plan our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement.

Materiality levels for the 2023/24 audit

13. We assess materiality at different levels as described in [Exhibit 1](#). The materiality values for Community Justice Scotland are set out below.

Exhibit 1

2023/24 Materiality levels for Audited Body

Materiality	Amount
Planning materiality – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. Materiality has been set based on our assessment of the needs of the users of the financial statements and the nature of CJS' operations. For the year ended 31 March 2024, we have set our materiality at 2% of gross expenditure based on the latest financial monitoring report for 2023/24.	£74,100
Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance	£48,200

materiality, this could indicate that further audit procedures are required. Using our professional judgement, we have assessed performance materiality at 65% of planning materiality.

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.	£3,700
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Source: Audit Scotland

Significant risks of material misstatement to the financial statements

14. Our risk assessment draws on our cumulative knowledge of Community Justice Scotland, its major transaction streams, key systems of internal control, and risk management processes. It is informed by our discussions with management, meetings with internal audit, attendance at committees, and a review of supporting information.

15. Audit risk assessment is an iterative and dynamic process. Our assessment of risks set out in this plan may change as more information and evidence becomes available during the progress of the audit. Where such changes occur, we will advise management, and where relevant, report them to those charged with governance.

16. Based on our risk assessment process, we identified the following significant risks of material misstatement to the financial statements. These are risks which have the greatest impact on our planned audit procedures. [Exhibit 2](#) summarises the nature of the risks, management’s sources of assurance over these risks, and the further audit procedures we plan to perform to gain assurance over the risks.

Exhibit 2

2023/24 Significant risks of material misstatement to the financial statements

Significant risk of material misstatement	Management’s sources of assurance	Planned audit response
<p>1. Risk of material misstatement due to fraud caused by management override of controls</p> <p>Auditing Standards require that audits are planned to consider the risk of material misstatement caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of management override of</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance</p>	<ul style="list-style-type: none"> • Test journal entries with a focus on significant risk areas. • Evaluate significant transactions outside the normal course of business. • Assess the adequacy of controls in place for identifying and disclosing related party relationship and transactions in the financial statements.

Significant risk of material misstatement	Management's sources of assurance	Planned audit response
<p>controls that results in fraudulent financial statements.</p>		<ul style="list-style-type: none"> • Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year. • Consider any unusual 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.
<p>2. Presumed risk of fraud over expenditure recognition</p> <p>In line with Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom, most public bodies are net expenditure bodies and therefore the risk of fraud is more likely to occur in expenditure.</p> <p>We have evaluated CJS's significant expenditure streams. Some expenditure streams, such as payroll, can be predictable and are not considered areas of risk. However, due to the extent and nature of expenditure in other areas, we identified a risk that expenditure may be misstated.</p>	<ul style="list-style-type: none"> • Controls over expenditure and payment processes • Scrutiny of regular financial reports and budget updates by management and the board • Fraud prevention arrangements. 	<ul style="list-style-type: none"> • Testing of expenditure transactions, focusing on the areas of greatest risk. • Review of arrangements in place to detect and prevent fraud.

17. As set out in ISA (UK) 240: *The auditor's responsibilities relating to fraud in an audit of financial statement*, there is a presumed risk of fraud over the recognition of revenue. There is a risk that revenue may be misstated resulting in a material misstatement in the financial statements. We have rebutted this risk for Community Justice Scotland because, while the possibility of fraud exists, we assess the risk of income being materially misstated as a result of fraud to be low. This is due to the nature of funding received from the Scottish Government, which is clearly communicated and can be readily agreed to third-party confirmations.

18. We have concluded there is limited opportunity or incentive to manipulate the recognition of income in the financial statements. We have not, therefore, incorporated specific work into our audit plan in these areas over and above our standard audit procedures.

Audit dimensions

19. The [Code of Audit Practice](#) sets out the four areas that frame the wider scope of public sector audit: Financial management; Financial sustainability; Vision, leadership and governance; and Use of resources to improve outcomes. The Code of Audit Practice requires auditors to consider the adequacy of the arrangements in place for the wider scope areas in audited bodies.

20. For less complex bodies, the Code of Audit Practice permits auditors to not apply the full wider scope audit. In these cases, the wider-scope audit work may be limited to a review of the governance statement and conclusions on the financial sustainability of the body and the services it delivers in the medium to longer term.

21. We have concluded that it is appropriate to treat Community Justice Scotland as a less complex body due to the nature of its activities and levels of income and expenditure. This is based on consideration of the factors outlined in the [Code of Audit Practice supplementary guidance](#).

22. We have identified a significant risk in the wider scope areas set out in [Exhibit 3](#). This exhibit sets out the risk, management's sources of assurance for the risk, and the further audit procedures we plan to perform to gain assurances over the risks.

Exhibit 3

2023/24 wider scope risks

Description of risk	Management's sources of assurance	Planned audit response
<p>1. Financial sustainability</p> <p>CJS provides regular financial monitoring reports to management and its Board. However, it does not have a medium-term or long-term financial plan in place, partly due to</p>	<ul style="list-style-type: none"> Recruitment of a new Head of Corporate Services completed Engagement with the Scottish Government 	<ul style="list-style-type: none"> Monitor progress with recruitment of Head of Corporate Services On-going review of financial reporting

Description of risk	Management's sources of assurance	Planned audit response
<p>uncertainty around future budget allocations.</p> <p>CJS are undertaking a commissioning process for the voluntary throughcare fund and will be responsible for monitoring and management of the grant fund in 2024/24. In addition, CJS has recently completed recruiting for a Head of Corporate Services to improve their financial capacity and reporting. The new Head of Corporate Services will take up the post in June 2024.</p> <p>There is a risk that CJS is unable to effectively plan its work without robust financial arrangements being in place.</p>	<p>regarding funding and budgeting arrangements</p>	<p>provided to management</p>

Source: Audit Scotland

Regularity

23. Auditors are required by the Public Finance and Accountability (Scotland) Act 2000 to report on whether expenditure and income were incurred or applied, in all material respects, in accordance with applicable enactments and guidance issued by the Scottish Ministers (generally referred to as the regularity opinion).

24. We will adopt an integrated audit approach to meeting this responsibility and use work on the audit of the financial statements supplemented by additional testing for any irregular transactions, where necessary.

Reporting arrangements, timetable, and audit fee

Reporting arrangements

25. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft reports will be shared with the relevant officers to confirm factual accuracy.

26. We will provide:

- an Independent Auditor's Report to CJS, the Scottish Parliament, and the Auditor General for Scotland setting out our opinions on the annual report and accounts
- CJS and the Auditor General for Scotland with an Annual Audit Report containing observations and recommendations on significant matters which have arisen during the audit and conclusions on wider scope areas.

27. [Exhibit 4](#) outlines the target dates for our audit outputs set by the Auditor General for Scotland. In determining the target reporting date of 31 October, due regard is paid to meeting the statutory deadline for laying the accounts of 31 December 2024.

28. We plan to issue our Independent Auditor's Report and Annual Audit Report by the target date.

Exhibit 4

2023/24 Audit outputs

Audit Output	Target date	Audit and Risk Committee Date
Annual Audit Plan	31 March 2024	8 May 2024
Independent Auditor's Report	31 October 2024	23 October 2024
Annual Audit Report	31 October 2024	23 October 2024

Source: Audit Scotland

29. All Annual Audit Plans and the outputs detailed in [Exhibit 4](#), and any other outputs on matters of public interest, will be published on our website: www.audit-scotland.gov.uk.



Timetable

30. To support an efficient audit, it is critical that the timetable for producing the annual report and accounts for audit is achieved. We have included a proposed timetable for the audit at [Exhibit 5](#) that has been discussed with management.

31. We will continue to work closely with management to identify the most efficient approach as appropriate and will keep timeframes and logistics for the completion of the audit under review. Progress will be discussed with management and finance officers over the course of the audit.

Exhibit 5

Proposed annual report and accounts timetable

 Key stage	 Provisional Date
Consideration of the unaudited annual report and accounts by those charged with governance	24 July 2024
Latest submission date for the receipt of the unaudited annual report and accounts with complete working papers package.	2 September 2024
Issue of draft Letter of Representation and proposed Independent Auditor's Report	14 October 2024
Issue of Annual Audit Report to those charged with governance.	14 October 2024
Signed Independent Auditor's Report	23 October 2024

Source: Audit Scotland

Audit fee

32. In determining the audit fee, we have taken account of the risk exposure of Community Justice Scotland and the planned management assurances in place. Fee levels are also impacted by inflation which increases the cost of audit delivery. The audit fee for 2023/24 is £17,980 as set out in [Exhibit 6](#).

Exhibit 6

Audit fees (including VAT)

Fee component	Fees (£)
External Auditor Remuneration	29,860

Fee component	Fees (£)
Pooled costs	320
Sectoral Cap Adjustment	(12,200)
Total 2023/24 fee	17,980

Source: Audit Scotland

33. In setting the fee for 2023/24, we have assumed that CJS has effective governance arrangements and will prepare a comprehensive and accurate set of annual report and accounts for audit in line with the agreed timetable for the audit. The audit fee assumes there will be no major change in respect of the scope of the audit during the year and where our audit cannot proceed as planned, a supplementary fee may be levied.

Other matters

Internal audit

34. It is the responsibility of CJS to establish adequate internal audit arrangements. 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 2024. We will report any significant findings to management in our Annual Audit Report.

35. As part of our planning process we review internal audit reports and findings for CJS which may impact on our audit approach, including our wider audit dimensions work. While we are not planning to place formal reliance on the work of internal audit in 2023/24, we will review internal audit reports and assess the impact of the findings on our financial statements and wider scope audit responsibilities.

Independence and objectivity

36. We are 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.

37. Audit Scotland has robust arrangements in place to ensure compliance with Ethical Standard including an annual *'fit and proper'* declaration for all members of staff. The arrangements are overseen by the Executive Director of Innovation and Quality, who serves as Audit Scotland's Ethics Partner.

38. The Ethical Standard requires auditors to communicate any relationships that may affect the independence and objectivity of the audit team. We are not aware of any such relationships pertaining to the audit of CJS.

Audit Quality

39. Audit Scotland is committed to the consistent delivery of high-quality public audit. Audit quality requires ongoing attention and improvement to keep pace with external and internal changes. A document explaining the arrangements for providing assurance on the delivery of high-quality audits is available from the [Audit Scotland website](#).

40. The International Standards on Quality Management (ISQM) applicable to Audit Scotland for 2023/24 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. Our SoQM consists of a variety of components, such as: our governance arrangements and culture to support audit quality, compliance with ethical requirements, ensuring we are dedicated to high-quality audit through our engagement performance and resourcing arrangements, and ensuring we have robust quality monitoring arrangements in place. Audit Scotland carries out an annual evaluation of our SoQM and has concluded that we comply with this standard.
- ISQM (UK) 2 which sets out arrangements for conducting engagement quality reviews, which are performed by senior management not involved in the audit to review significant judgements and conclusions reached by the audit team, and the appropriateness of proposed audit opinions of high-risk audit engagements.

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

42. 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 regularly monitored by Audit Scotland's Quality and Ethics Committee.

43. Audit Scotland may periodically seek your views on the quality of our service provision. The team would also welcome feedback more informally at any time.

Community Justice Scotland

Annual Audit Plan 2023/24

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

www.audit-scotland.gov.uk/accessibility

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