



# Angus Council

Annual Audit Plan  
2015/16

Prepared for Angus Council Scrutiny and Audit  
Committee

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The Accounts Commission is a statutory body which appoints external auditors to Scottish local government bodies ([www.audit-scotland.gov.uk/about/ac/](http://www.audit-scotland.gov.uk/about/ac/)). Audit Scotland is a statutory body which provides audit services to the Accounts Commission and the Auditor General ([www.audit-scotland.gov.uk/about/](http://www.audit-scotland.gov.uk/about/)).

The Accounts Commission has appointed Stephen Boyle as the external auditor of Angus Council for the period 2012/13 to 2015/16.

This report has been prepared for the use of Angus Council and no responsibility to any member or officer in their individual capacity or any third party is accepted.

The information in this report may be used for the Accounts Commission's annual overview report on local authority audits published on its website and presented to the Local Government and Regeneration Committee of the Scottish Parliament.

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# Summary

## Introduction

1. This report summarises the key challenges and risks facing Angus Council and sets out the audit work that we propose to undertake in respect of the 2015/16 audit. This is the final year of our five year audit appointment. The Assistant Auditor General is currently concluding a procurement process for the appointment of public sector auditors for the next five year cycle. Details of the council's new external auditor will be advised in the spring.
2. Our audit is focused on the identification and assessment of the risks of material misstatement in Angus Council's financial statements.
3. Our plan reflects:
  - the risks and priorities facing Angus Council
  - current national risks that are relevant to local circumstances
  - the impact of changing international auditing and accounting standards
  - our responsibilities under the Code of Audit Practice as approved by the Accounts Commission for Scotland
  - issues brought forward from previous audit reports.

4. The Charities Accounts (Scotland) Regulations 2006 specifies the accounting and auditing rules for Scottish registered charities. Irrespective of the size of the charity, as a consequence of the interaction of section 106 of the Local Government (Scotland) Act 1973 with the regulations, a full audit is required of all registered charities where the local authority is the sole trustee. Angus Council has two trusts with charitable status which hold total assets of £1.995 million. Accordingly, we will perform the audit of the council's charitable trusts in parallel with the audit of the council's financial statements.

## Summary of planned audit activity

5. Our planned work in 2015/16 includes:
  - an audit of the financial statements and provision of an opinion on whether:
    - they give a true and fair view of the state of affairs of Angus Council and its group as at 31 March 2016 and its income and expenditure for the year then ended
    - the accounts have been properly prepared in accordance with the Local Government (Scotland) Act 1973 and the 2015/16 Code of Practice on Local Authority Accounting in the United Kingdom (the Code)
  - an audit of the financial statements and provision of an opinion for the charitable trusts where the local authority is the sole trustee

- reporting the findings of the shared risk assessment process in a Local Scrutiny Plan. This will summarise identified scrutiny risks and/or any changes to the Local Area Network's (LAN's) assessment since last year
- reporting on the results of a best value audit of Angus Council in summer 2016
- a review and assessment of Angus Council's governance and performance arrangements. Key areas considered will include: internal controls, adequacy of internal audit, IT follow up audit, and the council's supporting arrangements for its annual governance statement
- provision of an opinion on a number of grant claims and returns, including Whole of Government Accounts
- reporting of National Fraud Initiative arrangements and results
- collection of relevant financial and performance information to inform Audit Scotland's national reports
- a review of the council's arrangements for publication of statutory performance information including public performance reporting.

# Responsibilities

6. The audit of the financial statements does not relieve management or the Scrutiny and Audit Committee, as the body charged with governance, of their responsibilities.

## Responsibility of the appointed auditor

7. Our responsibilities, as independent auditor, are established by the Local Government (Scotland) Act 1973 and the Code of Audit Practice, and guided by the auditing profession's ethical guidance.
8. Auditors in the public sector give an independent opinion on the financial statements. We also review and report on the arrangements set in place by the audited body to ensure the proper conduct of its financial affairs and to manage its performance and use of resources. In doing this, we aim to support improvement and accountability.

## Responsibility of the Head of Corporate Improvement and Finance

9. It is the responsibility of the Head of Corporate Improvement and Finance, as the appointed 'proper officer', to prepare the financial statements in accordance with relevant legislation and the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). This means:
  - maintaining proper accounting records

- preparing financial statements which give a true and fair view of the state of affairs of Angus Council and its group as at 31 March 2016 and its expenditure and income for the year then ended.

## Format of the accounts

10. The financial statements should be prepared in accordance with the Code, which constitutes proper accounting practice.
11. Angus Council prepares a Whole of Government Accounts consolidation pack annually for the Scottish Government. To enable summarisation common accounting principles and standard formats should be used.

# Audit Approach

## Our approach

12. Our audit approach is based on an understanding of the characteristics, responsibilities, principal activities, risks and governance arrangements of Angus Council and its group. We also consider the key audit risks and challenges in the local government sector generally. This approach includes:
  - understanding the business of Angus Council and its group and the risk exposure which could impact on the financial statements
  - assessing the key systems of internal control, and considering how risks in these systems could impact on the financial statements
  - identifying major transaction streams, balances and areas of estimation and understanding how Angus Council will include these in the financial statements
  - assessing and addressing the risk of material misstatement in the financial statements
  - determining the nature, timing and extent of the audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements give a true and fair view.

13. We have also considered and documented the sources of assurance which will make best use of our resources and allow us to focus audit testing on higher risk areas during the audit of the financial statements. The main areas of assurance for the audit come from planned management action and reliance on systems of internal control. Planned management action being relied on for 2015/16 includes:
- comprehensive closedown procedures for the council and group financial statements accompanied by a timetable issued to all relevant staff
  - clear responsibilities for preparation of financial statements and the provision of supporting working papers
  - delivery of unaudited financial statements to agreed timescales with a comprehensive working papers package
  - completion of the internal audit programme for 2015/16
  - a letter of management representation for key areas of the financial statements.
14. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. Internal audit is provided under a co-source arrangement whereby the in-house team is led by an audit manager from Scott Moncrieff. We seek to rely on the work of internal audit whenever possible and, as part of our planning process, we carried out an early assessment of the internal audit function and concluded we could place reliance on their work. Overall, we concluded that the internal audit service operates in accordance with relevant Public Sector Internal Audit Standards (PSIAS) which enables us to take assurance from their documentation and reporting procedures.
15. In respect of 2015/16, we do not plan to place formal reliance on the work of internal audit for our opinion work for the council. However, as part of our wider governance and performance audit work, we plan to review the work undertaken by internal audit in the following areas and consider the findings for our interim report and/or Annual Audit Report:
- Our IT follow up audit will consider the findings from a number of internal audit reports during the year covering Information Governance, Business Continuity Planning, IT security and IT application strategy
  - In considering the completeness of the group annual governance statement within the council's financial statements, we will draw on the findings from the following internal audit work - Use of Tayside Contracts and a consultancy review of planned governance arrangements prior to the introduction of the culture and leisure trust (Angus Alive)
  - As part of our governance activities, we continue to have a watching brief on the 'Transforming Angus' project. Specific work in this area has been conducted by internal audit and the Scrutiny and Audit Committee also concluded a scrutiny review. Findings from these reviews will be considered as part of our routine governance activities.

## Group arrangements

16. Our responsibilities and approach set out earlier cover both our audit of the council and its group. In order to give an opinion on the group accounts, we need an understanding of the nature of the council's subsidiaries and associates and their relationships including any significant changes during the year, group wide controls including the work of internal audit and the consolidation process.
17. International Standard on Auditing 600 (ISA600): using the work of another auditor focuses on the group engagement lead providing direction to component auditors to ensure that sources of assurance are agreed as part of the planning process. In reaching our opinion on the group accounts, we consider, review and evaluate as required the work of the auditors of the council's subsidiaries and associates within the group boundary and seek representations from them on a range of matters covering professional competence, conduct, and audit opinion. We also review the audited accounts for each of the entities in the group.
18. Having considered the effect of component auditors' reports, along with any unadjusted misstatements and events after the financial reporting period, we should have sufficient assurances to conclude on whether the entities' accounts, policies and disclosures have been appropriately consolidated in the group accounts.

## Materiality

19. Materiality can be defined as the maximum amount by which auditors believe the financial statements could be misstated and still not be expected to affect the decisions of users of financial statements. A misstatement or omission, which would not normally be regarded as material by amount, may be important for other reasons (for example, the failure to achieve a statutory requirement or, an item contrary to law). In the event of such an item arising, its materiality has to be viewed in a narrower context; such matters would normally fall to be covered in an explanatory paragraph in the independent auditor's report.
20. We consider materiality and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit programme. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements both individually and collectively.
21. Based on our knowledge and understanding of Angus Council we have set our planning materiality at £3.483 million (1% of gross expenditure).
22. We set different levels of materiality for the council's annual accounts, the group and those of the individual charities. For the charities, different levels of materiality have been set for the Statement of Financial Activities (SFA) and Balance Sheet (BS) due to the disparity in values between the two. The levels of materiality and error thresholds are included in Exhibit 1. In line with auditing

standards, amounts below the error thresholds need not be reported to those charged with governance.

23. We set a lower level, known as performance materiality, when defining our audit procedures. For 2015/16, it has been set at £1.741 million. This lower level is to ensure that uncorrected and undetected audit differences do not exceed our planning materiality. This level depends on professional judgement and is informed by a number of factors including:
- extent of estimation and judgement within the financial statements
  - nature and extent of prior year misstatements
  - extent of audit testing coverage.

**Exhibit 1: Materiality levels**

	Materiality £	Performance Materiality £	Error Thresholds £
Council	3,483,000	1,741,000	100,000
Group	3,493,000	1,747,000	100,000
Angus Council	215 (SFC)	108 (SFC)	50 (SFC)
Charitable Trusts	6,470 (BS)	3,235 (BS)	100 (BS)
Strangs	1,361 (SFC)	681 (SFC)	50 (SFC)
Mortification	13,392 (BS)	6,696 (BS)	100 (BS)

**Reporting arrangements**

24. The Local Authority Accounts (Scotland) Regulations 2014 (2014 Regulations) require that the unaudited annual accounts are submitted to the appointed external auditor no later than 30 June each year. The authority (or the Scrutiny and Audit Committee as the committee whose remit includes audit or governance) is required to consider the unaudited annual accounts at a meeting by 31 August.
25. Local authorities must publish the unaudited accounts on their websites and give public notice of the inspection period.
26. The 2014 Regulations require the local authority (or the Scrutiny and Audit Committee as the committee whose remit includes audit or governance) to meet by 30 September to consider whether to approve the audited annual accounts for signature. Immediately after approval, the annual accounts require to be signed and dated by specified members and officers and then provided to the auditor. The Controller of Audit requires audit completion and issue of an independent auditor's report (opinion) by 30 September each year.
27. The authority is required to publish on its website its signed audited annual accounts, and the audit certificate, by 31 October. The local authority is also required to publish a copy of the accounts of its subsidiaries. The annual audit report is required to be published on the website by 31 December.



28. Exhibit 2 takes account of submission requirements and planned Scrutiny and Audit Committee dates.

**Exhibit 2: Financial statements audit timetable**

Key stage	Date
Submission of unaudited council financial statements with working papers package	By 30 June 2016
Submission of unaudited charitable trusts financial statements with working papers package	By 30 June 2016
Planned Scrutiny and Audit Committee approval of unaudited financial statements	23 August 2016
Agreement of unsigned financial statements and issue of Annual Audit Report for pre-meeting of Scrutiny and Audit Committee	6 September 2016 (tbc)
Planned approval of audited financial statements by Scrutiny and Audit Committee	27 September 2016
Independent auditor's report signed	By 30 September 2016

29. 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 responsible head of service and relevant officers to confirm factual accuracy. Responses to draft reports are expected within three weeks of submission. A copy of all final agreed reports

will be sent to the Chief Executive, Strategic Director – Resources, Head of Corporate Improvement and Finance, internal audit and Audit Scotland's Performance Audit and Best Value Group.

30. We will provide an independent auditor's report to Angus Council and the Accounts Commission that the audit of the financial statements has been completed in accordance with applicable statutory requirements. The Annual Audit Report will be issued by 30 September.
31. All annual audit reports produced are published on Audit Scotland's website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).
32. Planned outputs for 2015/16 are summarised at [Appendix 1](#).

**Quality control**

33. 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. This is to provide reasonable assurance that those 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. 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 issued by Audit Scotland and approved by the Accounts Commission. To ensure that we achieve the required quality standards, Audit Scotland conducts peer reviews and internal quality reviews and

has been subject to a programme of external reviews by the Institute of Chartered Accountants of Scotland (ICAS).

34. 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 do, however, welcome feedback at any time and this may be directed to the engagement lead, Stephen Boyle.

Improvement and Finance accordingly, in respect of any relationships impacting on the audit of Angus Council.

## Independence and objectivity

35. Auditors appointed by the Accounts Commission must comply with the Code of Audit Practice. When auditing the financial statements, auditors must also comply with professional standards issued by the Financial Reporting Council (FRC) 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 Assistant Auditor General, who serves as Audit Scotland's Ethics Partner.
36. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. In significant cases we would change the audit team, however where there are potential issues that are not fundamental to the delivery of the audit, we advise the senior finance officer of the circumstances and of the steps we have taken to manage this. We have advised the Head of Corporate

# Audit issues and risks

## Audit issues and risks

37. 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 Angus Council. We have categorised these risks into financial risks and wider dimension risks. The financial statements issues and risks, which require specific audit testing, are summarised below and detail contained in [Appendix 2](#).

## Financial statement issues and risks

38. **Fair Value Measurement:** The 2015 Code requires authorities to account for fair value measurement of assets and liabilities in accordance with International Financial Reporting Standard (IFRS) 13. Fair value is defined by the Code as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Examples of assets to which fair value measurement applies include surplus assets, investments held for sale, investment property and financial instruments. The council will require to consider if its existing practices need any adjustment in light of the new standard. We will review the valuations to ensure the requirements have been applied accordingly.

39. **Charities SORP:** From 2015/16, charities are required to apply either the Financial Reporting Standard for Smaller Entities (FRSSE) or Financial reporting standard (FRS) 102 when preparing their accounts on an accruals basis. Two new statements of recommended practice (SORPs) have been developed to provide guidance to charities on how to apply either the FRSSE or FRS 102. They replace the previous SORP that was issued in 2005. Charities which are under the threshold for small companies have the option to follow the Charities SORP (FRSSE), and we expect that this will apply to the council's charitable trusts. The new SORP introduces a number of changes, mainly presentational, but also including the content of the trustees' annual report and a new classification of investment termed 'social investment'.
40. The financial statements for Angus Council's charitable trusts are currently produced using the receipts and payments method which is less onerous than on an accruals basis and is permitted for small charities. Should the council decide to implement accruals accounting which requires fuller disclosures, then compliance with the SORP will be required.
41. **Income recognition:** Auditing standards (*ISA 240 The auditor's responsibility to consider fraud in an audit of financial statements*) require auditors to presume a risk of fraud where income streams are significant. Angus Council receives a significant amount of funding from sources other than the Scottish Government, including council tax and non-domestic rates. The extent/complexity of income means there is an inherent risk that income could be materially misstated. The ISA requires auditors to evaluate which

types of revenue transactions give rise to such risks. We will therefore design and perform audit procedures to address these matters.

42. **Management override of controls:** ISA 240 requires auditors to consider, on all audits, management's ability to manipulate accounting records and prepare fraudulent or biased financial statements by overriding controls that otherwise appear to be operating effectively. We will therefore design and perform audit procedures which are responsive to the risks identified
43. **Componentisation of council house stock:** The council revalued council houses in 2015/16 and it has a policy to write off the revalued amount over the useful life of the housing stock which is expected to be 50 years. The Code permits this length of write off period but it also sets out expectations in respect of component accounting, which is commonly adopted by councils to separately account for elements of an asset which require to be written off over a shorter period. As part of the 2014/15 revaluation, beacon properties were identified and considered for componentisation. There is a risk that the components have not been identified in line with the council's policy and therefore depreciation is incorrectly calculated. We will review the accounting treatment as part of our review of non-current assets.
44. **Group Accounts:** The Code requires authorities to prepare group financial statements in accordance with relevant accounting standards. During 2015/16, the council set up a cultural and leisure trust known as Angus Alive to which it transferred cultural and

leisure services. In addition, Angus Integrated Joint Board became a legal entity although it will not become operational until 1 April 2016. There is a risk that the council will not review its group boundary and fail to assess how these new bodies should be treated for group accounting purposes. We will review appropriate documentation to understand the structure of the new bodies and their relationship with the council in respect of operational and accountable responsibilities. This information will be used to assess the adequacy of the council's consideration of its revised group structure and any additional arrangements which need to be put in place for 2015/16 group accounts purposes.

45. **Angus Alive:** With effect from 1 December 2015, Angus Alive became responsible for the staff that transferred across from the council in respect of cultural and leisure services. The finance, legal, and HR implications associated with the staff transfer should be fully evidenced including any accounting implications. There is a risk, for example, in preparation for the IAS19 valuation at 31 March 2016, that the actuary is not advised about the transfer of staff and therefore the associated assets and liabilities are incorrectly retained in Angus Council's unaudited accounts and consequently producing a material error. We will review the actions taken by the council to identify and address the accounting implications of transferring services to Angus Alive and in relation to pension costs, we will examine the staff transfer information provided to the pension fund and the instructions given to the actuary setting out the requirements for the valuation to be undertaken at 31 March 2016.

**46. Highway assets:** Highway infrastructure assets include carriageways, footways, cycle tracks, structures, street furniture, and street lighting. Currently local authorities record the value of such assets at historical cost. The 2016/17 Code requires highways to be measured for the first time on a depreciated replacement cost (DRC) basis which is considered a more appropriate measurement base as it provides the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and obsolescence. This is a major change in the valuation basis for highways and will result in significantly increased valuations which will be material changes in the financial statements. There is a risk that the council will not have complete and accurate management information on highway assets giving rise to material errors in the 2016/17 financial statements. We will review the council's preparations for this change in valuation basis and report our findings in our Annual Audit Report.

## Wider dimension issues and risks

**47. Best Value:** the shared risk assessment process identified that focused best value audit activity would support an assessment of the impact of the:

- management restructure
- change and improvement programme being taken forward under the banner of 'Transforming Angus'

A Best Value audit of Angus Council to be carried out during the period of the 2015/16 audit and reported in summer 2016 will include consideration of the above matters.

**48. Budget savings and financial pressures:** The council's medium term financial strategy covering the period 2016/17 to 2019/20 was approved in September 2015. The latest financial plans predict a cumulative shortfall on a pessimistic basis of £31 million, after £6.8 million savings for 2016/17 already agreed in the 2015/16 budget. There is a risk that expenditure is not contained within available resources and that the necessary efficiencies are not secured to meet the estimated shortfall.

**49.** In particular, the council has approved budget saving proposals involving staff reduction. A workforce strategy has been implemented but workforce plans are still being developed. There is a risk that the council fails to set out effective workforce and financial planning to demonstrate how the required scale of change can be achieved. We will review the council's progress in developing directorate workforce plans and other financial proposals to deliver the reduction in expenditure required by medium term budgets. In addition, we will continue to monitor the council's overall financial position and comment in our Annual Audit Report.

**50. Health and Social Care Integration:** The Public Bodies (Joint Working) (Scotland) Act 2014 provides the framework for the integration of health and social care services in Scotland. The council and NHS Tayside agreed on an integrated joint board (IJB) model for Angus.

**51.** A shadow IJB is in operation from 1 April 2015 and has been developing arrangements in preparation for an operational 'going live' date of 1 April 2016.

52. The Angus IJB was formally established on 3 October 2015 although operational responsibility has been deferred until 1 April 2016. However, the board will require to prepare financial statements covering the accounting period from the establishment date to 31 March 2016. In addition, the IJB will be regarded as a joint venture which the council may need to consider for inclusion within its group accounts.
53. The IJBs are regarded as local government bodies and will be audited by the relevant local government auditor. In Angus' case, the appointed auditor will therefore be Stephen Boyle. We will prepare a separate audit plan to meet our responsibilities in respect of the IJB's financial statements.
54. In May 2015, the Scottish Government issued final guidance for Integration Financial Assurance at both pre- and post-integration stages. This sets out the assurances required from audit committees within each of the partner bodies, and subsequently from the IJB when established. Prior to the introduction of the IJB, where practical, it is recommended that the Scrutiny and Audit Committee obtain assurance:
- on the finance provisions to be included in the integration scheme
  - on the plans for financial governance and financial assurance and risk
  - that lessons have been learned from other integration projects
- that the financial metrics to be used in future to assess whether integration has met its objectives have been identified and that a process for obtaining baseline data is in place.
55. **Cyber Security:** Over the past year several Scottish public organisations have been victims of cyber-attacks. All public sector bodies should be aware of a cyber-attack and take actions to reduce the risk of a successful attack. We will review the council's cyber security arrangements and report our findings in our Annual Audit Report.

## National performance audit studies

56. Audit Scotland's Performance Audit and Best Value Group undertake a programme of studies on behalf of the Auditor General and Accounts Commission. In line with Audit Scotland's strategy to support improvement through the audit process, we will carry out work to collect relevant financial and performance information to inform Audit Scotland's national reports.
57. We plan to follow-up progress on Audit Scotland's report on *Scotland's Public Sector Workforce* which was published in November 2013. This focused on how organisations plan to have the right skills in the right place at the right time. While all auditors have been requested to carry out follow up work, this exercise will also provide us with useful information in relation to the risks set out above in relation to financial pressures and workforce reduction (paragraph 49).

# Fees and resources

## Audit fee

58. Over the past four years, Audit Scotland has reduced audit fees by 24% in real terms, exceeding our 20% target. Due to further refinement of our audit approach we have been able to maintain audit fees for 2015/16 at the same level as last year. This represents an additional real term fee reduction of 1.6%.
59. In determining the audit fee we have taken account of the risk exposure of Angus Council, the management assurances in place, and the level of reliance we plan to take from the work of internal audit. In setting the fee, we have agreed an approach for earlier receipt of working papers to support the financial statements with a number of areas to be received on a phased basis from early June 2016 and having the complete working paper package no later than 6 July 2016.
60. The agreed audit fee for the 2015/16 audit of Angus Council and the charitable trusts is £250,730 (2014/15 £249,700) which represents an increase of 0.4%. Our fee covers:
- the costs of planning, delivering and reporting the annual audit including auditor's attendance at committees
  - an allocation of the cost of national performance studies and statutory reports by the Controller of Audit

- a contribution towards functions that support the local audit process (e.g. technical support and coordination of the National Fraud Initiative), support costs and auditors' travel and subsistence expenses.

61. Where our audit cannot proceed as planned through, for example, late receipt of unaudited financial statements 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.

## Audit team

62. Stephen Boyle, Assistant Director, Audit Services is the appointed auditor. The local audit team will be led by Anne MacDonald who will be responsible for day to day management of the audit and who will be the primary contact. Details of the experience and skills of our team are provided in Exhibit 3. The core team will call on other specialist and support staff as necessary.

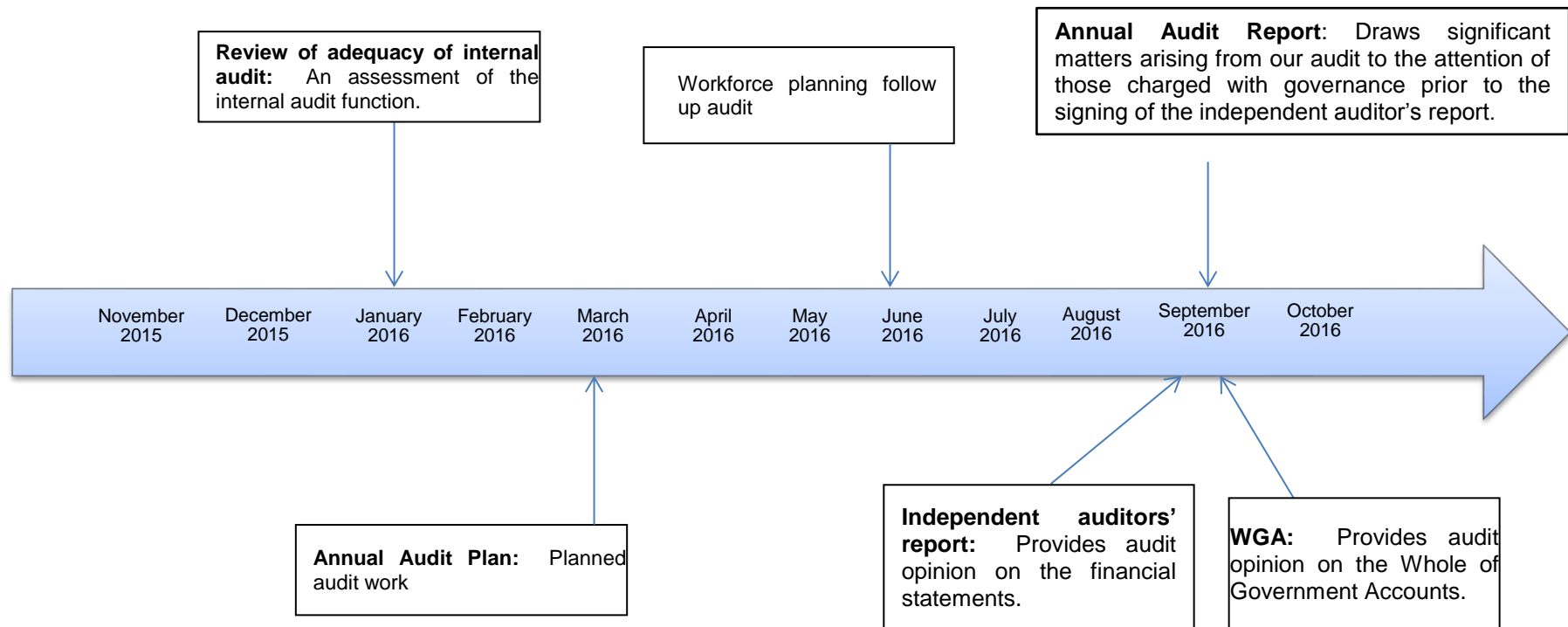
**Exhibit 3: Audit team**

Name	Experience
<p>Stephen Boyle CPFA Assistant Director (and certifying auditor)</p>	<p>Stephen has 19 years' experience of public sector finance. He trained as an accountant with a Big 4 firm, before joining Audit Scotland in 2002. He later worked as Head of Finance and Corporate Services for Cube Housing Association, before spending three years with Glasgow Housing Association as Assistant Director of Finance. He re-joined Audit Scotland in June 2013.</p>
<p>Anne MacDonald CA Senior Audit Manager</p>	<p>Anne has many years of public sector experience mainly in local government covering both financial audit and best value audit.</p>
<p>Colin Morrison CPFA Senior Auditor</p>	<p>Colin has 15 years of experience of public sector audit, covering the local government, health and further education sectors.</p>
<p>Edward Stansfeld FCA, CISA Senior ICT Auditor</p>	<p>Edward trained as an auditor in private practice in the early 90s, and then worked in industry for five years. He joined Audit Scotland in 2001 as an IT audit specialist. Edward contributes to the international ISM3 information security standard which provides a process-based view of ISO27001/BS7799.</p>
<p>Jane Moore FCCA Auditor</p>	<p>Jane has over 20 years' experience in audit, accountancy and taxation, mainly in general practice.</p>



# Appendix 1: Planned audit outputs

1. Timeline - The diagram below shows the key outputs planned for Angus Council in 2015/16.



## 2. Timeline – Detailed listing of all audit outputs

Planned outputs	Target date for consideration by Scrutiny and Audit Committee	Submission date for returns to Audit Scotland / Scottish Government
<b>Governance</b>		
Local Scrutiny Plan 2016/17 Interim Management Report	April 2016 June 2016	April 2016 June 2016
<b>Performance Audit</b>		
National Fraud Initiative – Data Return	N/A	29 February 2016
Fraud Returns	N/A	31 May 2016
Workforce Planning – follow up activity	N/A	30 June 2016
Arrangements for Statutory Performance Information	N/A	30 September 2016
Overview Report – Data Return	N/A	30 September 2016

Planned outputs	Target date for consideration by Scrutiny and Audit Committee	Submission date for returns to Audit Scotland / Scottish Government
<b>Financial statements</b>		
Report to Scrutiny and Audit Committee – Communication of audit matters to those charged with governance (Annual Report to elected members and the controller of audit on the 2015/16 audit)	27 September 2016	By 30 September 2016
Independent auditor's report on the financial statements	27 September 2016	By 30 September 2016
Audit opinion on charitable trusts	27 September 2016	By 30 September 2016
Audit opinion on Whole of Government Accounts	N/A	By 30 September 2016
<b>Grants</b>		
Education Maintenance Allowance	N/A	31 July 2016
Criminal Justice Services Returns	N/A	30 September 2016
Housing Benefit Subsidy	N/A	30 November 2016
Non Domestic Rates Income return	N/A	October 2016
Bellwin Scheme	N/A	To be confirmed

## Appendix 2: Significant audit risks

The table below sets out the key audit risks, the related sources of assurance received and the audit work we propose to undertake to address the risks during our audit work.

No	Audit Risk	Source of assurance	Audit assurance procedure
<b>Financial statement issues and risks</b>			
1	<p><b>Fair values</b></p> <p>The 2015 Code requires authorities to account for fair value measurement of assets and liabilities in accordance with IFRS 13. There is a risk that valuations are not carried out as per the requirements of the Code and therefore the value of assets and liabilities are misstated.</p>	<ul style="list-style-type: none"> <li>• Early planning meeting held with Head of Corporate Improvement and Finance and his team to confirm expectations from new financial reporting requirements.</li> </ul>	<ul style="list-style-type: none"> <li>• Regular contact with finance department</li> <li>• Agreed timetable for delivery of draft annual accounts.</li> </ul>
2	<p><b>Income</b></p> <p>Angus Council receives a significant amount of income in addition to Scottish Government funding.</p> <p>The extent and complexity of income means there is an inherent risk of fraud in accordance with ISA240.</p>	<ul style="list-style-type: none"> <li>• Internal audit reviews which assist in providing an opinion on governance arrangements</li> <li>• There are a range of policies and procedures in place to prevent and detect fraud including standing orders and financial regulations.</li> </ul>	<ul style="list-style-type: none"> <li>• We will evaluate the effectiveness of systems of internal control for income recognition and recording including the analytical review of income streams and testing of controls</li> <li>• Detailed substantive testing of revenue transactions</li> <li>• Assurances from work carried out by internal audit.</li> </ul>

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3	<p><b>Management override of controls</b></p> <p>As stated in ISA240, management in all entities is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<ul style="list-style-type: none"> <li>• Internal audit reviews which assist in providing an opinion on governance arrangements</li> <li>• Segregation of duties between those preparing and processing journals</li> <li>• There are a range of policies and procedures in place to prevent and detect fraud including standing orders and financial regulations.</li> </ul>	<ul style="list-style-type: none"> <li>• Assurances from work carried out by internal audit</li> <li>• We will evaluate any significant transactions that are outside the normal course of business</li> <li>• We will test journal entries and review accounting estimates for bias.</li> </ul>
4	<p><b>Highway assets</b></p> <p>The 2016/17 Code requires highway assets to be measured for the first time on a depreciated replacement cost basis from 1 April 2016. This is a major change in the valuation basis for highway assets and will require the availability of complete and accurate management information. .</p> <p>There is a risk that the new valuations will not be available when required.</p>	<ul style="list-style-type: none"> <li>• Ongoing discussions between finance and communities' staff to determine the approach being taken and progress made in preparing the revised valuations.</li> <li>• Finance Final Accounts Group meetings.</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor the council's progress in planning ahead to allow full compliance with the Code and comment on the level of preparedness in our Annual Audit Report.</li> </ul>

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5	<p><b>Council House Valuations</b></p> <p>The council revalued council houses in 2015/16, and will be subject to componentisation for the first time. When there is capital expenditure going forward it is important that the old components are removed appropriately. There is a risk that components will not be identified in line with the council’s policy resulting in depreciation being incorrectly calculated.</p>	<ul style="list-style-type: none"> <li>• Finance Final Accounts Group meetings.</li> </ul>	<ul style="list-style-type: none"> <li>• Review the approach to componentisation as part of the audit of non-current assets/housing revenue account.</li> </ul>
<b>Wider dimension issues and risks</b>			
6	<p><b>Budget savings and financial pressures</b></p> <p>Angus Council have identified that approximately £22 million of savings are required between 2016/17 and 2019/20. There is a risk that expenditure is not contained within available resources and that the necessary efficiencies are not secured to meet the estimated shortfall in the longer term.</p>	<ul style="list-style-type: none"> <li>• Budget papers and savings options presented to elected members (including reduction in staff numbers)</li> <li>• Transforming Angus Board papers</li> <li>• Further update to Medium Term Financial Strategy in June 2016 and new 3 year savings plan covering 2017/18 to 2019/20.</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing monitoring of financial plans, assumptions and estimates with a commentary in our Annual Audit Report</li> <li>• review the council’s implementation of its workforce strategy and progress in developing workforce plans</li> <li>• Follow up national study work in respect of workforce planning.</li> </ul>

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7	<p><b>Health and Social Care Integration</b></p> <p>Although arrangements for Health and Social Care integration are currently on track, Angus and NHS Tayside need to continue to develop and embed effective relationships to ensure the integration agenda is delivered in line with plans.</p> <p>There is a risk the required actions are not completed and the Board is unable to take operational responsibility from April 2016.</p>	<ul style="list-style-type: none"> <li>• Chief Officer and Chief Financial Officer appointed</li> <li>• Shadow Integration Joint Board in place</li> <li>• Internal audit involvement in reviewing the preparations for health and social care integration including financial forecasts.</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor progress of the new arrangements as they are developed</li> <li>• Comment in our Annual Audit Report.</li> </ul>