



# Angus Council Annual Audit Plan 2014/15

Prepared for Angus Council Scrutiny and Audit Committee

March 2015



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Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

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# Summary

## Introduction

1. Our audit is focused on the identification and assessment of the risks of material misstatement in Angus Council's financial statements.
2. This report summarises the key challenges and risks facing Angus Council and sets out the audit work that we propose to undertake in 2014/15. 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 Account Commission for Scotland
  - issues brought forward from previous audit reports.
3. 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 £1.756 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

4. Our planned work in 2014/15 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 2015 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 2014 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

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identified scrutiny risks and/or any changes to the Local Area Network's (LAN's) assessment since last year

- a review and assessment of Angus Council's governance and performance arrangements in a number of key areas including: internal controls, the adequacy of internal audit, governance statement, arrangements for Statutory Performance Indicators and a follow up review of ICT
- 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.

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# Responsibilities

5. 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

6. 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.
7. 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

8. 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 as at 31 March 2015 and its expenditure and income for the year then ended.

## Format of the accounts

9. The financial statements should be prepared in accordance with the Code which constitutes proper accounting practice. 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.

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# Audit Approach

## Our approach

10. 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 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.
11. 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. Management action being relied on for 2014/15 includes:
  - comprehensive closedown procedures for the 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 and a comprehensive working papers package to an agreed timescale
  - completion of the internal audit programme for 2014/15.
12. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. Internal audit is provided in-house under a co-source arrangement whereby the 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

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operates in accordance with relevant Public Sector Internal Audit Standards (PSIAS) which enables us to take assurance from their documentation and reporting procedures.

13. In respect of 2014/15, internal audit do not plan to cover key financial systems and consequently, we do not plan to place formal reliance on the work of internal audit for our 2014/15 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 respect of Transforming Angus and in supporting the 2014/15 governance statement.
14. We will also consider any relevant findings from internal audit's work on charitable fund payments when designing the testing required to support our separate opinion for charitable trusts.

## Materiality

15. International Standard on Auditing 320 provides guidance on the concept of materiality. We consider materiality and its relationship to audit risk when planning the nature, timing and extent of our audit and conducting our audit procedures. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

16. Based on our knowledge and understanding of Angus Council we have set our planning materiality at 1% of gross expenditure. For 2014/15 planning materiality is £3.518 million.
17. We set a lower level, known as performance materiality, when defining our audit procedures. 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.
18. For 2014/15 performance materiality has been set at £1.759 million. We will report to those charged with governance all misstatements greater than £100,000. In line with auditing standards, amounts below this level are considered 'clearly trivial' and need not be reported.
19. We set different levels of materiality for the council's annual accounts, those of the council's 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, performance materiality and 'clearly trivial' are included in Exhibit 1.



## Exhibit 1: Materiality levels

	Materiality £	Performance Materiality - £	Clearly Trivial £
Council	3,518,000	1,759,000	100,000
Group	3,682,000	1,841,000	100,000
Angus Council	110 (SFA)	55 (SFA)	50 (SFA)
Charitable Trusts	2,810 (BS)	1,405 (BS)	100 (BS)
Strangs	830 (SFA)	415 (SFA)	100 (SFA)
Mortification	17,560 (BS)	8,780 (BS)	500 (BS)

20. In addition, an inaccuracy which would not normally be regarded as material in terms of monetary value 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.

## Reporting arrangements

21. The Local Authority Accounts (Scotland) Regulations 2014 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) is required to consider the unaudited annual accounts at a meeting by 31 August.

22. Local authorities must publish the unaudited accounts on their websites and give public notice of the inspection period.
23. The 2014 regulations require the local authority (or the Scrutiny and Audit Committee) 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.
24. 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.
25. Exhibit 2 takes account of submission requirements and planned Scrutiny and Audit Committee dates.

## Exhibit 2: Financial statements audit timetable – key dates

Key stage	Date
Submission of unaudited council financial statements with working papers package	By 30 June 2015
Submission of unaudited charitable trusts financial statements with working papers package	By 30 June 2015
Planned Scrutiny and Audit Committee approval of unaudited financial statements	25 August 2015
Planned approval of audited financial statements by Scrutiny and Audit Committee	29 September 2015
Independent auditor's report signed	By 30 September 2015

26. 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. A copy of all final agreed reports will be sent to the Chief Executive, Director of Resources, Head of Corporate Improvement and Finance, internal audit and Audit Scotland's Performance Audit and Best Value Group.
27. 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. As part of streamlining our audit approach, this year the Annual Audit Report will be combined with the ISA 260 report. As a result, the Annual Audit Report will be issued by 30 September which is one month earlier than previous years.

28. All annual audit reports produced are published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)
29. Planned outputs for 2014/15 are summarised at Appendix 1.

## Quality control

30. 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. 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).

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

## Independence and objectivity

32. 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 Auditing Practices Board (APB) 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.
33. 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 Angus Council.

# Audit issues and risks

## Audit issues and risks

34. Based on our discussions with staff, attendance at committee meetings and a review of supporting information, we have identified the following main financial statements risk areas for Angus Council.

### Annual Accounts Opinion Risks

35. **Local Authority Accounts (Scotland) Regulations 2014 (2014 regulations):** As set out in paragraphs 20 to 23, the 2014 regulations introduced a number of key changes with regard to the processes for approval and publication of both the unaudited and audited annual accounts.
36. In order to meet these certification dates for the annual accounts and the planned earlier publication of the Annual Audit Report, we held discussions with the Head of Corporate Improvement and Finance and his team to review our respective ways of working in order to implement a smarter approach for the preparation and audit of the council’s financial statements and the charities’ accounts.

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37. The 2014 regulations require a management commentary to be included in the financial statements for the first time. This requires greater disclosures than have been included to date as part of the explanatory foreword, for example, more information on principal risks and uncertainties, main trends and factors affecting future development and performance, and social, community and human rights issues.

38. **Fraud Risk:** We have identified that some areas of the council's financial statements have an element of fraud risk attached, for example:

- **Income:** 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.
- **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.

39. **New group accounts standards:** The Code of practice on local authority accounting in the United Kingdom 2014/15 (the Code) requires authorities to prepare group financial statements in accordance with relevant accounting standards. From 2014/15, the group accounting standards are IFRS 10 Consolidated financial statements (as adapted by Code paragraph 9.1.1.3), IFRS 11 Joint arrangements, IFRS 12 Disclosure of interests in other entities, and IAS 28 Investments in Associates and Joint Ventures (as amended in 2011). The council is required to consider the implications of the new standards and we will review the group accounts to ensure the requirements have been applied accordingly.

40. **Revaluation and componentisation of council house stock:** Council dwellings are revalued every 5 years, the current basis of valuation is existing use for social housing (EUV-SH). The council's policy is to write off the revalued amount over the useful life of the housing stock which is expected to be 50 years. The Code of Practice for Local Authority Accounting 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. Angus' componentisation policy is triggered

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when a separate asset exceeding £1.5 million and with a life of more than 25 years is identified which means there is little use of componentisation. Consequently, we previously suggested that the write off period for council dwellings was higher than expected and therefore depreciation was lower. Council house dwellings are scheduled for revaluation in 2014/15 and as part of this process, beacon properties will be identified and considered for componentisation. There is a risk that the revised valuation will not meet accounting requirements and we will review the adequacy of the resulting calculations and disclosures in the financial statements.

41. **Holiday pay:** A recent ruling by the European Court of Justice reached the opinion that the calculation of holiday pay could be based on variable payments in addition to basic pay, for example contractual overtime or bonus payments. In addition, it may be possible for employees to make retrospective claims and for former employees to make claims. The council has estimated that the impact of the decision on its current employees is £200,000 and work is ongoing with regard to any backdated claims. We will assess the council's response to this legal opinion including the adequacy of any provision included in the financial statements.
42. **Highways assets:** These are currently carried within infrastructure assets in the balance sheet at depreciated historic cost. The 2016/17 Code requires highways to be measured for the first time on a depreciated replacement cost

basis. This represents a change in accounting policy from 1 April 2016 which will require a revised opening balance sheet as at 1 April 2015 and comparative information in respect of 2015/16. This is a major change in the valuation basis for highways and will require the availability of complete and accurate management information on highway assets. We will monitor the council's progress in planning ahead to allow full compliance with the Code.

### Wider Dimension Risks

43. **Budget savings and financial pressures:** The council's medium term financial strategy covering the period 2015/16 to 2018/19 was approved in June 2014. At that point savings of £12.6 million were already agreed for 2015/16 and 2016/17. The latest financial plans predict a cumulative shortfall on a pessimistic basis (taking account of the above savings) of £20 million. A number of reviews have been identified to determine if savings can be made. 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.
44. The directorate improvement plans include 127 targets as well as 186 performance indicators, which include indicators developed as internal Key Performance Indicators and Statutory Performance Indicators. The council uses the 'Covalent' performance management system to track these performance measures. We will review the council's use of

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performance information in tracking priorities and savings as part of our review of the arrangements for Statutory Performance Indicators.

- 45. 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. The council and NHS Tayside established a shadow joint board with effect from 1 October 2013. A Chief Officer has recently been appointed and will take up her post from late April 2015. An interim chief officer has carried out the role since April 2014.
- 46.** Angus Council and NHS Tayside need to continue to develop and embed effective relationships to ensure the integration agenda is delivered in line with plans. We will monitor progress with this agenda throughout the year.

## Summary assurance plan

- 47.** Within these identified risk areas there is a range of more specific risks and these are summarised at Appendix 2. In most cases, actions to manage these risks are either planned or already underway within the council. Details of the sources of assurance that we have received for each of these risks and any audit work we plan to undertake is also set out in Appendix 2. In the period prior to the submission of the unaudited financial statements, we will liaise with senior officers on any new or emerging issues.

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# Fees and resources

## Audit fee

48. Over the past four years, on a national basis, Audit Scotland has reduced audit fees by 23.5% in real terms, exceeding our 20% target. The overall fee strategy for 2013 largely held indicative fees at the same level as the previous year. For 2014, there has been an increase of 1%.
49. 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 2015. We continue to have discussions with the finance team on the detail of the timetable but we anticipate having the complete working paper package no later than 6 July 2015.
50. The agreed fee for the 2014/15 audit of Angus Council and the charitable trusts is £249,700 (2013/14 £246,200) which represents an increase of 1.4%. 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 audits and statutory reports by the Accounts Commission
  - 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.
51. 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

52. Stephen Boyle, Assistant Director, Audit Services is your 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 your 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
Stephen Boyle CPFA, Assistant Director	Stephen has 18 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.
Anne MacDonald CA, Senior Audit Manager	Anne has many years public sector experience mainly in local government financial audit.
Colin Morrison CPFA, Senior Auditor	Colin has 15 years of experience of public sector audit, covering the local government, health and further education sectors.

Name	Experience
Edward Stansfeld FCA, CISA, Senior ICT Auditor	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.
Mark Stewart MAAT, Auditor	Mark joined the Accounts Commission for Scotland in April 1986. He has worked on the audit of a number of local authorities and associated bodies. He became a member of the Association of Accounting Technicians in 1991.
Jane Moore FCCA, Auditor	Jane has over 20 years' experience in audit, accountancy and taxation, mainly in general practice.



# Appendix 1: Planned 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 2015/16 (formerly the Assurance and Improvement Plan)	2 June 2015	N/A
Governance management letter – follow up 2013/14 IT Report	25 August 2015	N/A
<b>Performance Audit</b>		
National Fraud Initiative – Data Return	N/A	June 2015
Overview Report – Data Return	N/A	Early October 2015
<b>Financial statements</b>		
Report to Scrutiny and Audit Committee – Communication of audit matters to those charged with governance (Combined ISA260 and the Annual Audit Report to elected members and the controller of audit on the 2014/15 audit)	29 September 2015	N/A
Independent auditor's report on the financial statements	N/A	By 30 September 2015
Audit opinion on charitable trusts	N/A	By 30 September 2015

Planned outputs	Target date for consideration by Scrutiny and Audit Committee	Submission date for returns to Audit Scotland / Scottish Government
Audit opinion on Whole of Government Accounts	N/A	Early October 2015
<b>Grants</b>		
Education Maintenance Allowance	N/A	31 July 2015
Criminal Justice Services Returns	N/A	30 September 2015
Housing Benefit Subsidy	N/A	30 November 2015
Non Domestic Rates Income return	N/A	January 2016

# Appendix 2: Significant audit risks

We undertake a risk-based audit whereby we focus on those areas where we have identified a risk of material misstatement in the accounts. This section shows how our audit approach focuses on the risks we have identified through our planning procedures. ISA 315 *Identifying and assessing the risks of material misstatement through understanding the entity and its environment* defines a significant risk as “an identified and assessed risk of material misstatement that, in the auditor’s judgement, requires special audit consideration.”

In this section we identify a range of risks facing Angus Council, the related source of assurance received and the audit work we propose to undertake to secure additional assurance. The management of risk is the responsibility of Angus Council, and its officers, with the auditor’s role being to review the arrangements put in place by management. Planned audit work, therefore, will not necessarily address all residual risks.

Audit Risk	Source of assurance	Assurance procedure
<b><i>Financial Statements opinion risks</i></b>		
<p><b>Local Authority Accounts (Scotland) Regulations 2014 (2014 regulations)</b></p> <p>The 2014 regulations introduce a number of key changes with regard to the processes for approval and publication of both the unaudited and audited annual accounts.</p> <p>There is a risk that the new requirements are not met.</p>	<ul style="list-style-type: none"> <li>• Report on the new regulations to council and Scrutiny and Audit Committee</li> <li>• Training for elected members on their new responsibilities is planned</li> <li>• Annual Accounts timetable prepared taking all key dates into account</li> <li>• Early planning meeting held with Head Corporate Improvement and Finance and his team to agree an approach to enable a more streamlined approach to the audit to ensure the audited accounts meet the timetable for the Scrutiny and Audit Committee.</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> <li>• Agreed early annual accounts audit work to be carried out in June.</li> </ul>

Audit Risk	Source of assurance	Assurance procedure
<p><b>Income</b></p> <p>Angus Council receives a significant amount of income in addition to SG 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>• 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> </ul>
<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>• 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>• 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>

Audit Risk	Source of assurance	Assurance procedure
<p><b>New group accounts standards</b></p> <p>The 2014/15 Code of Practice on Local Authority Accounting in the United Kingdom has adopted new group accounts standards. The new standards mean that decisions made under previous standards regarding the classification of entities will need to be reviewed to confirm they remain appropriate. There is a risk that the council's group accounts do not comply with the new accounting standards.</p>	<ul style="list-style-type: none"> <li>• Review in conjunction with Perth and Kinross Council and Dundee City Council of the operation and accounting treatment of Tayside Contracts</li> <li>• Signed Minute of Agreement for Tayside Contracts.</li> </ul>	<ul style="list-style-type: none"> <li>• Review of the financial statements to ensure all appropriate entities have been included and are correctly classified</li> <li>• Early review to identify and confirm the impact on group accounts.</li> </ul>
<p><b>Revaluation and componentisation of council house stock</b></p> <p>Council house stock will be revalued in 2014/15 with a beacon approach applied. There is a risk that the revised valuation will not meet accounting requirements.</p>	<ul style="list-style-type: none"> <li>• Instructions to the valuer and valuation report/certificates.</li> </ul>	<ul style="list-style-type: none"> <li>• Review of valuation approach and test checks of amounts to valuation certificates</li> <li>• The valuer falls within the category of an expert and therefore we will place reliance on the work of the valuer in accordance with auditing standards.</li> </ul>

Audit Risk	Source of assurance	Assurance procedure
<p><b>Holiday pay</b></p> <p>A recent legal ruling reached the opinion that the calculation of holiday pay could be based on variable payments in addition to basic pay and that employees and former employees may be able to make retrospective claims.</p> <p>There is a risk that provisions included in the financial statements do not meet the criteria set out in accounting standards.</p>	<ul style="list-style-type: none"> <li>• New arrangements were implemented from 1 January 2015 in respect of current employees.</li> </ul>	<ul style="list-style-type: none"> <li>• Consider the robustness of the action to date and adequacy of any provision included in the financial statements.</li> </ul>
<p><b>Highway assets</b></p> <p>The 2016/17 Code requires highways 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 highways and will require the availability of complete and accurate management information on highway assets.</p> <p>There is a risk that the new valuations will not be available when required.</p>	<ul style="list-style-type: none"> <li>• Plans to be put in place between Finance and Communities staff to ensure this information is available.</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor the council's progress in planning ahead to allow full compliance with the Code.</li> </ul>

Audit Risk	Source of assurance	Assurance procedure
<b>Wider dimension risks</b>		
<p><b>Budget savings and financial pressures</b></p> <p>Angus Council have identified that approximately £30 million of savings are required between 2015/16 and 2018/19. 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</li> <li>• Transforming Angus Board papers</li> <li>• Further update to Medium Term Financial Strategy in June 2015 and new 3 year savings plan covering 2016/17 to 2018/19</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing monitoring of financial plans, assumptions and estimates.</li> </ul>
<p><b>Health and Social Care Integration</b></p> <p>Although arrangements for Health and Social Care integration are progressing, work needs to continue to ensure the integration agenda is delivered in line with plans. There is a risk that statutory dates are not met.</p>	<ul style="list-style-type: none"> <li>• Integration scheme for the joint board is being developed and will shortly be issued for consultation</li> <li>• Council integration work is being co-ordinated by the Angus Monitoring Group including the development of financial budgets.</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor progress of the new arrangements as they are developed.</li> </ul>