

Aberdeenshire Council

Annual Audit Plan 2016/17



 AUDIT SCOTLAND

Prepared for Aberdeenshire Council
March 2017

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Risks and planned work

1. This annual audit plan contains an overview of the planned scope and timing of our audit and is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and any other relevant guidance. This plan identifies our audit work to provide an opinion on the financial statements and related matters and meet the wider scope requirements of public sector audit including the new approach to Best Value.
2. The audit of the financial statements extends beyond the council's accounts to its group accounts and the accounts of the charitable funds it is responsible for administering. Aberdeenshire Council will produce group accounts in 2016/17 as a result of the requirement to consolidate a share of Aberdeenshire's Integration Joint Board.
3. The wider scope of public audit contributes to conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

Audit risks

4. Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified the following main risk areas for Aberdeenshire Council. We have categorised these risks into financial risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#). Our consideration of the management assurances and findings from our planned work will, collectively, provide assurances to assist us in reaching conclusions on each of these matters.

Exhibit 1

Audit Risk	Management assurance	Planned audit work
Financial statement issues and risks		
<p>1 Risk of management override of controls</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.</p>	<ul style="list-style-type: none"> • Owing to the nature of this risk, assurances from management are not applicable. 	<ul style="list-style-type: none"> • Detailed testing of journal entries • Review of accounting estimates • Focused testing of accruals and prepayment • Evaluation of significant transactions that are outside the normal course of business.
<p>2 Risk of fraud over income and expenditure</p> <p>Aberdeenshire Council receives a significant amount of income in addition to Scottish Government</p>	<ul style="list-style-type: none"> • Schemes of delegation in place • No history of significant fraud • Corporate fraud policy in 	<ul style="list-style-type: none"> • Analytical procedures on income streams • Walk-through of controls identified within key financial systems.

Audit Risk	Management assurance	Planned audit work
<p>funding.</p> <p>The extent and complexity of income means that, in accordance with ISA240, there is an inherent risk of fraud. Potential areas of concern include council tax, non domestic rates and income from sundry debtors.</p> <p>The Code of Audit Practice expands the ISA assumption on fraud over income to aspects of expenditure. The council incurs significant expenditure in areas such as welfare benefits, social care payments and grants.</p>	<p>place</p> <ul style="list-style-type: none"> • Appropriate processes for the authorisation, separation of duties and workflow associated with income and expenditure • Compliance with procurement regulations • Budgetary control arrangements and regular financial monitoring by management and scrutiny by members through cycle of committee reporting • Regular review of financial systems and internal controls by internal audit • Debt recovery and bad debt arrangements. 	<ul style="list-style-type: none"> • Detailed testing of revenue transactions focusing on the areas of greatest risk • Audit work on the National Fraud Initiative matches • Assessing the overarching controls in grant and welfare schemes including benefit transactions.
<p>3 Group accounts/ consolidation of Integration Joint Board</p> <p>Aberdeenshire Health and Social Care Integration Joint Board (IJB) became operational on 1 April 2016. In accounting terms, the IJB is a joint venture between the council and NHS Grampian and consequently, a share requires to be included in each partner's group accounts. The council is therefore required to produce group accounts in 2016/17. The IJB is responsible for commissioning adult social care while the council is responsible for delivering services.</p> <p>There are risks that:</p> <ul style="list-style-type: none"> • the council does not have proper arrangements in place to ensure the completeness and correct classification of IJB related transactions • balances between the council and the IJB are not agreed in sufficient time for preparation of the financial statements • budget overspends will directly impact on the council's budget and due to the demand led nature of a number of the budgets concerned, there is a risk of unexpected (i.e. unplanned) overspends. 	<ul style="list-style-type: none"> • The financial ledger coding structure identifies all IJB transactions • Regular monitoring of financial information • Due diligence completed on the budget setting process • Early agreement of balances between council and IJB • Treatment of over- and underspends set out in the Integration Scheme • NHS Grampian chief executive and the council chief executive for IJB area meet with relevant IJB chief officer and s95 officer • IJB has an audit committee working alongside the council audit committee. 	<ul style="list-style-type: none"> • Review the council's arrangements for completeness of IJB ledgers and transactions • Sample test income and expenditure relating to health and social care services provided to the IJB • Review the arrangements in place to confirm balances between the council and the IJB • Confirm whether any overspends or underspends relating to the council are accounted for in accordance with the integration scheme • In accordance with ISA 600 (using the work of another auditor), we will co-ordinate with 'component auditors', in this case the IJB external auditors to obtain the necessary assurances • Review post integration reports by internal audit. In line with Scottish Government guidance, post integration reports should evaluate actual risk and financial performance against pre-integration assumptions and cover performance on relevant milestones and benefits and lessons learned.

Audit Risk	Management assurance	Planned audit work
<p>4 Council dwellings revaluation</p> <p>Council dwellings are revalued every 5 years, the current basis of valuation is fair value, determined using the basis of existing use for social housing (EUV-SH). This is a significant undertaking by the council, requiring a number of complex judgements and calculations to be made. There is a risk that the value of council dwellings and consequently, the council's financial statements are materially misstated.</p>	<ul style="list-style-type: none"> • Instructions to the valuer and valuation report/certificates. 	<ul style="list-style-type: none"> • Review of valuation approach and test checks of amounts to valuation certificates • 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 • Review accounting treatment of property revaluation and ensure it accords with the requirements of the Code.
<p>5 Office Space Strategy</p> <p>The council has approved a strategy to reduce its offices from 98 to 53. In January 2017, the number was recorded as 63. A significant element of this project is options to transfer the council's headquarters from Aberdeen to Inverurie. In addition the council is undergoing a significant depot rationalisation programme.</p> <p>There are risks that surplus assets have not been correctly treated in terms of the Code with regard to valuation, asset lives and disclosure.</p>	<ul style="list-style-type: none"> • Office Space Strategy and working group minutes • Involvement of Property experts • Internal audit review of fixed asset register. 	<ul style="list-style-type: none"> • Review the arrangements for identification, valuation, accounting and disposal of surplus assets • Review of fixed asset register.
<p>6 Estimation and judgements</p> <p>There is a degree of subjectivity in the measurement and valuation of the material account areas of pensions, non-current assets (inc council dwellings), accruals and provisions. This subjectivity represents an increased risk of misstatement in the financial statements.</p>	<ul style="list-style-type: none"> • Use of clearly defined methodologies and procedures including experts, as appropriate, when making significant estimations and judgements • Management review by qualified finance staff. 	<ul style="list-style-type: none"> • Completion of 'review of the work of an expert' in accordance with ISA500 for the professional valuer and actuary • Review the basis and calculation of provisions for bias and subjectivity • Focused substantive testing of key areas.
<p>7 New Payroll System</p> <p>In April 2016, the council went live with a new payroll system, i-Trent. Due to a number of issues during implementation which are not fully resolved, the council has had to increase the number of manual checks performed each month, and this has required additional resources through the appointment of temporary staff. There are risks that pay is incorrectly calculated / incorrect</p>	<ul style="list-style-type: none"> • Project board minutes and reports • Progress reports to management and elected members • Evidence and review of management checks and controls • Commissioned specialist consultancy Phase 3 for critical elements including year-end activities. 	<ul style="list-style-type: none"> • Detailed substantive testing of monthly salary payments • Review the data transfer arrangements • Review progress reports to management and elected members to gain an understanding of the scale and materiality of the issues.

Audit Risk	Management assurance	Planned audit work
deductions are being made from gross pay by the system.		
Wider dimension risks		
<p>8 Financial sustainability</p> <p>Following the identification of savings and additional income totalling £24m, the council agreed a balanced budget for 2017/18 at it's meeting in February 2017. Five year indicative revenue budgets also agreed at this time forecast a cumulative deficit of £41m by 2021/22. The council has developed a Medium Term Financial Strategy (MTFS) to provide a structured approach to financial planning in order to reduce the financial shortfall. There is a risk that savings targets will not be met impacting on services and delivery of strategic aims.</p>	<ul style="list-style-type: none"> • Budgetary control arrangements • Budget planning and development arrangement • Involvement of Strategic Leadership Team in budget planning process and ongoing budget monitoring arrangements. 	<p>Ongoing monitoring of financial plans, assumptions and estimates and commentary in our Annual Audit Report.</p>
<p>9 Capital Programme</p> <p>In February 2016, the council approved a 15 year capital programme totalling £873m. Total expenditure in the 5 year period 2016/17 – 2020/21 is £385m or 44% of the total plan. These projects will require robust project management to ensure that they are delivered on time and on budget to minimise impact on revenue.</p>	<ul style="list-style-type: none"> • Capital Plan Group discussions and minutes • Individual project monitoring reports. 	<ul style="list-style-type: none"> • Monitor progress with Capital Plan and comment in Annual Audit Report as appropriate.
<p>10 Project management - implementation of iTrent</p> <p>The iTrent system is used to administer the council's HR and payroll functions. It is a system which is hugely important in running the council. The project has existed for several years, there have been a number of project managers and a year after implementation there are a range of operational issues being resolved. There are risks that project management arrangements were not sufficient.</p>	<ul style="list-style-type: none"> • Working in partnership with PMO to strengthen both project and vendor management • Commissioned specialist consultancy Phase 3 for critical elements including year-end activities • Integrated dedicated project resources into one team • Progress reports to management and elected members. 	<ul style="list-style-type: none"> • Management are currently preparing a status report for elected members. Internal audit are also undertaking work in this area. From an external audit perspective, the key task is gathering sufficient assurances to enable us conclude that pay costs in the financial statements are not materially misstated. While project management of the implementation of this system is a priority from a wider scope perspective, we will delay any review until next year (2017/18 audit) pending the outcome of current work by management and internal audit.

Audit Risk	Management assurance	Planned audit work
<p>11 Effective scrutiny</p> <p>The council recently concluded a governance review and implemented new arrangements from January 2017 for scrutiny across the council including a new audit committee. As part of this process, the new audit committee will be responsible for reviewing the effectiveness of delivery of services by the IJB.</p> <p>This is an area of significant change in how the council operates and combined with the forthcoming council election, there is a risk that the new arrangements will take time to settle. In the interim there is a risk that scrutiny and review will be ineffective.</p>	<ul style="list-style-type: none"> • New governance scheme • Training and support for elected members. 	<ul style="list-style-type: none"> • Monitor developments and comment in Annual Audit Report as appropriate.
<p>12 City Region Deal</p> <p>In August 2016, the council approved the Aberdeen City Region Deal alongside the UK and Scottish governments, Aberdeen City Council and local universities. This will see the public sector invest around £300m into various infrastructure and development projects throughout the North East. A Joint Committee has been set up to oversee governance of the deal and to monitor progress. (The committee is not a body corporate) Aberdeenshire Council has the banker role in this arrangement and as such it will require to satisfy itself that projects are progressing in line with funding plans and that exposure to additional borrowing costs is minimised.</p>	<ul style="list-style-type: none"> • Joint Committee agendas and minutes • Financial reports to the Government • Aberdeenshire Strategic Leadership Team meeting notes. 	<ul style="list-style-type: none"> • Monitor developments and comment in Annual Audit Report as appropriate.
<p>13 Local government elections</p> <p>The 2017 local government elections will result in changes to council membership. With an estimated 40% change in membership, there is a risk that key skills and experience will be lost and due to the potential scale of change, that the induction of new members will not be sufficiently effective to ensure members are ready to promptly respond to the challenges ahead.</p>	<ul style="list-style-type: none"> • Development of an appropriate induction and training programme for members of the new council. 	<ul style="list-style-type: none"> • Review the council's arrangements for the induction and training of new members • Follow up work on our 2011 national report on the role of boards.

Charitable Trusts administered by Aberdeenshire Council

5. The Charities Accounts (Scotland) Regulations 2006 specify the accounting and auditing requirements for Scottish registered charities. Irrespective of the size of a 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.

6. Aberdeenshire Council use the connected charities provision within the regulations and prepare one set of financial statements in respect of the majority of its charitable trusts, known as Aberdeenshire Charities Trust (ACT2). The net assets of the combined trust are £491k. In addition, the council administers, four smaller charitable trusts with combined net assets of £110k. We will perform the audit of the charitable trusts in parallel with the audit of Aberdeenshire Council's financial statements. Based on general experience in this area, there may be trusts where trust deeds are lost, otherwise there are no specific planning risks for these audits which we require to bring to your attention.

Reporting arrangements

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

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

9. We will provide an independent auditor's report to Aberdeenshire Council and the Accounts Commission summarising the results of the audit of the annual accounts. We will provide Aberdeenshire Council and the Accounts Commission with an annual report on the audit containing observations and recommendations on significant matters which have arisen in the course of the audit.

Exhibit 2

2016/17 Audit outputs

Audit Output	Target date for consideration by Audit Committee	Final submission date for returns to Audit Scotland / Scottish Government
Governance		
Local Scrutiny Plan 2017/18	21 June 2017	31 May 2017
Interim Report	21 June 2017	30 June 2017
External Audit Outstanding Recommendations	Each meeting	N/A
External Audit Progress Report	Each meeting	N/A
Performance Audit		
Health & Social Care Integration	N/A	30 June 2017
European Funding	N/A	30 June 2017
Role of Boards/Committees	N/A	30 June 2017
National Fraud Initiative – Data Return	N/A	30 June 2017
Fraud Returns	N/A	26 May 2017
Overview Report – Data Return	N/A	30 September 2017
Financial statements		
Report to Audit Committee – Communication of audit matters to those charged with governance - Annual Report to elected members and the controller of audit on the 2016/17 audit	21 September 2017	By 30 September 2017
Independent auditor's report on the financial statements	21 September 2017	By 30 September 2017
Audit opinion on charitable trusts	21 September 2017	By 30 September 2017
Audit opinion on Whole of Government Accounts	N/A	By 30 September 2017
Grants		
Education Maintenance Allowance	N/A	31 July 2017
Criminal Justice Services Returns	N/A	30 September 2017
Housing Benefit Subsidy	N/A	30 November 2017
Non Domestic Rates Income return	N/A	6 October 2017

Audit fee

10. The proposed audit fee for the 2016/17 audit of Aberdeenshire Council is £390,610 (2015/16 £406,000). This is split between the council £377,860 and the charitable trusts £12,750. In determining the audit fee we have taken account of the risk exposure of Aberdeenshire Council, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit.

11. Where our audit cannot proceed as planned through, for example, late receipt of unaudited financial statements, receipt of poor quality working papers or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises outwith our planned audit activity.

Responsibilities

Audit Committee and Section 95 Officer

12. Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives.

13. The audit of the financial statements does not relieve management or the Audit Committee, as those charged with governance, of their responsibilities.

Appointed auditor

14. Our responsibilities as independent auditor are established by the 1973 Act for local government and the Code of Audit Practice, and guided by the auditing profession's ethical guidance.

15. Auditors in the public sector give an independent opinion on the financial statements. We also review and report on the arrangements within the audited body to manage its performance, regularity and use of resources. In doing this, we aim to support improvement and accountability.

Audit scope and timing

Financial statements

16. The statutory financial statements audit will be the foundation and source for the majority of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:

- understanding the business of Aberdeenshire Council and the associated risks which could impact on the financial statements
- assessing the key systems of internal control, and establishing how weaknesses in these systems could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how Aberdeenshire Council will include these in the financial statements
- assessing the risks of material misstatement in the financial statements
- determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.

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

- give a true and fair view in accordance with applicable law and the 2016/17 Code of the state of the affairs of the council and its group as at 31 March 2017 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2016/17 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Group arrangements

18. Our responsibilities and approach 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 group entities and their relationships including group wide controls and the work of internal audit. In respect of 2016/17, the council's group includes Aberdeenshire's integrated joint board.

19. 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 review and evaluate the work of the auditors as required 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.



characteristics



responsibilities



principal activities



risks



governance arrangements

20. Consideration of the effect of component auditors' reports for each of the group entities, along with any unadjusted misstatements and events after the financial reporting period, should provide us with sufficient assurances to conclude on whether the entities' accounts, policies and disclosures have been appropriately consolidated in the group accounts.

Materiality

21. Materiality defines the maximum error that we are prepared to accept and still conclude that that our audit objective has been achieved. It helps assist our planning of the audit and allows us to assess the impact of any audit adjustments on the financial statements. We calculate materiality at different levels as described below. The calculated materiality values for Aberdeenshire Council and the Charitable Trusts are set out in [Exhibit 3](#) and [Exhibit 4](#). For the Charitable Trust, 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.

Exhibit 3

Materiality values

Materiality level	Council	Aberdeenshire Charitable Trust
Planning materiality - This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure (gross income in respect of charities) for the year ended 31 March 2017 based on the latest audited accounts for 2016.	£8.6m	SFA - £1,000 BS - £4,910
Performance materiality - This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement we have calculated performance materiality at 70% of planning materiality.	£6.0m	SFA - £700 BS - £3,437
Reporting threshold - We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been calculated at 1% of planning materiality.	£100k	SFA - £50 BS - £100

22. We also set separate materiality levels for the five trusts with charitable status as detailed below.

Exhibit 4

Trust Materiality values

Trust	Planning materiality	Performance materiality	Reporting threshold
Aberdeenshire Charities Trust 2	£1,000	£700	£50
Aberdeenshire Educational Trust	£1,210	£847	£61
Anderson & Woodman Library Trust	£36	£25	£2
Andrew Cooper History Prize Fund	£21	£15	£5
Mcdonald Public Park Endowment	£22	£15	£1

23. We review and report on other information published with the financial statements including the management commentary, annual governance report and the remuneration report. Any issue identified will be reported to the Audit Committee.

Timetable

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

Exhibit 5

Financial statements timetable

 Key stage	 Date
Consideration of unaudited financial statements by the Audit Committee as the body charged with governance	By 30 June 2017
Latest submission date of unaudited financial statements with complete working papers package	By 30 June 2017 (phased receipt of working papers agreed from early June)
Latest date for final clearance meeting with Head of Finance	1 September 2017
Planned approval of audited unsigned financial statements and consideration of Annual Audit Report including ISA 260 report by the Audit Committee as the body charged with governance	21 September 2017
Independent auditor's report signed	By 30 September 2017

Internal audit

25. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible and as part of our planning process we carry out an assessment of the internal audit function. Internal audit is provided by an in-house team overseen by a Chief Internal Auditor.

Adequacy of Internal Audit

26. We have carried out an assessment of the internal audit function and confirmed that it complies with the requirements of the Public Sector Internal Audit Standards (PSIAS).

Areas of reliance

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

- iProcurement and Ledger System
- Payroll System
- Payroll Process
- Northgate Revenue & Benefits System
- Benefits (CTR only)
- Rent System
- Debtors System
- Creditors System
- Budget Monitoring

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

- Compliance with Procurement related Legislation and Financial Regulations.

Audit dimensions

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

Exhibit 6

Audit dimensions



30. In the local government sector, the appointed auditor's annual conclusions on these four dimensions will be reported through the Annual Audit Report and will contribute to an overall assessment and assurance on best value.

Financial sustainability

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

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long term
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps
- whether Aberdeenshire Council can demonstrate the affordability and effectiveness of funding and investment decisions it has made.

Financial management

32. Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. We will review, conclude and report on whether the council:

- has arrangements in place to ensure systems of internal control are operating effectively
- can demonstrate the effectiveness of the budgetary control system in communicating accurate and timely financial performance
- has assured itself that its financial capacity and skills are appropriate
- has established appropriate and effective arrangements for the prevention and detection of fraud and corruption.

Governance and transparency

33. Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information. We will review, conclude and report on whether:

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

Value for money

34. Value for money refers to using resources effectively and improving services. We will review, conclude and report on whether the council can demonstrate:

- value for money in the use of its resources
- a clear link between money spent, output and outcomes delivered
- that outcomes are improving
- that there is sufficient focus on improvement and the pace of it.

Best Value

35. The Accounts Commission agreed the overall framework for a new approach to auditing Best Value in June 2016. The introduction of the new approach coincides with the new five year audit appointments. As such, auditors will use the framework for their audit work from October 2016.

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

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

37. The first six councils on which a BVAR will be published during the first year of the new approach are listed in [Exhibit 7](#) below. Reports will be considered by the Accounts Commission in the period between May 2017 and March 2018.

Exhibit 7

2016/17 Best Value Assurance Reports

Clackmannanshire Council	Orkney Islands Council
East Renfrewshire Council	Renfrewshire Council
Inverclyde Council	West Lothian Council

38. The work planned in Aberdeenshire Council this year will focus on the council's arrangements for demonstrating Best Value in financial and service planning, financial governance and resource management. The work will be integrated with that described above in these areas. The results of this work will be reported in the Annual Audit Report in September 2017.

Quality control

39. 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.

40. 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, internal quality reviews and is currently reviewing the arrangements for external quality reviews.

41. As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time and this may be directed to the engagement lead.

Independence and objectivity

42. Auditors appointed by Audit Scotland 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 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.

43. The engagement lead (appointed auditor) for Aberdeenshire Council is Gillian Woolman, Assistant Director while Anne MacDonald, Senior Audit Manager is the engagement lead for the council’s charitable funds. 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 audits of Aberdeenshire Council or the charitable funds.

Audit team

44. The local audit team will be led by Anne MacDonald, Senior Audit Manager, who will be responsible for day to day management of the audit and will be your primary contact. Details of the team’s experience is provided in Exhibit 6. The audit team will be supplemented by additional staff during peak times.

Exhibit 6

Core Audit team

Name

Gillian Woolman FCA CPFA
Assistant Director (and certifying auditor for Aberdeenshire Council)

Anne MacDonald
Senior Audit Manager (and certifying auditor for Aberdeenshire Council’s Charitable Trusts)

Mark Johnstone
Senior Auditor

Deirdre Sim
Auditor

Adebayo Ladejobi
Professional Trainee

Experience

- Gillian has worked in the public and private sector, internal and external audit. She is the lead Assistant Director for equality and diversity matters at Audit Scotland and holds a mixed portfolio of audits. She is currently chair of the regional strategic board for the Institute of Chartered Accountants in England and Wales and Vice Chair of the Local Authority (Scotland) Accounts Advisory Committee (LASAAC).
- Anne has many years of public sector experience mainly in local government covering both financial audit and best value audit.
- Mark has a significant number of years of public sector audit experience, across the local government, central government, health and further education sectors.
- Deirdre has 20 years public sector audit experience in a wide range of clients in the local government and health sectors.
- Adebayo qualified as a Chartered Accountant in Nigeria. He joined Audit Scotland’s graduate training programme in 2015 and is currently working towards his ICAS qualification.

Aberdeenshire Council

Annual Audit Plan 2016/17

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