

Children's Hearings Scotland

Annual Audit Plan 2016/17



 AUDIT SCOTLAND

Prepared for Children's Hearings Scotland

February 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.

2. As detailed at paragraph 21, in consideration of the the size and nature of Children's Hearings Scotland, and based on our professional judgement, we have concluded that the full application of the wider scope is not appropriate or proportionate. Our annual audit work on the wider scope is therefore focused on the appropriateness of disclosures in the governance statement, and the financial sustainability of Children's Hearings Scotland over the medium to longer term.

Audit risks

3. Based on our discussions with staff and a review of supporting information we have identified the following main risk areas for Children's Hearings Scotland. 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](#).

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 in this instance. 	<ul style="list-style-type: none"> Detailed testing of journal entries. Review of accounting estimates. Focused testing of accruals and prepayments. Evaluation of significant transactions that are outside the normal course of business.
<p>2 Controls relating to panel members expenses</p> <p>While local authority partners may have local controls in place, Children's Hearings Scotland has no process or system to obtain assurance on the legitimacy and accuracy of amounts invoiced</p>	<p>(1) Spend to date compared to forecasts and previous years' spends is reviewed every month to identify any unusual activity at local authority level</p> <p>(2) Regular dialogue takes place with local authority partners, answering clerks' queries on policy application</p>	<ul style="list-style-type: none"> Substantive testing of local authority invoices relating to panel member expenditure. Analytical review of expenditure relating to panel member expenses.

Audit Risk	Management assurance	Planned audit work
for panel member expenses.	<p>(3) CHS can and on occasions does inspect the source documentation held by local authorities</p> <p>(4) CHS is currently seeking reassurance from local authority partners on the extent that their internal and external audits cover expense processing</p> <p>(5) CHS is planning to capture information in a standardized format through its new volunteer records portal to ensure better analysis potential of higher-risk areas of spend such as loss of earnings, and cross-referencing to attendance at events</p>	

Reporting arrangements

4. 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.

5. 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.

6. We will provide an independent auditor's report to Children's Hearings Scotland, the Scottish Parliament and the Auditor General for Scotland that the audit of the financial statements has been completed in accordance with applicable statutory requirements. We will provide the Accountable Officer and Auditor General for Scotland with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the course of the audit.

Exhibit 2

2016/17 Audit outputs

Audit Output	Target date	Audit Committee Date
Annual Audit Report including ISA 260 requirements	4 August 2017	29 August 2017 (TBC)
Signed Independent Auditor's Report	29 August 2017	29 August 2017

Audit fee

7. The proposed audit fee for the 2016/17 audit of Children's Hearings Scotland is £10,440. In determining the audit fee we have taken account of the risk exposure of Children's Hearings Scotland and the planned management assurances in place. Our audit approach assumes receipt of the unaudited financial statements, with a complete working papers package on 29th May 2017.

8. 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.

Responsibilities

Audit Committee and Accountable Officer

9. 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.

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

Appointed auditor

11. Our responsibilities as independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice, and guided by the auditing profession's ethical guidance.

12. 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

13. 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 Children's Hearings Scotland and the associated risks which could impact on the financial statements
- completing initial system evaluations to enhance our understanding and assessing the operation of the key controls
- identifying major transaction streams, balances and areas of estimation and understanding how Children's Hearings Scotland 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.

14. We will give an opinion on the financial statements as to:

- whether they give a true and fair view in accordance with the Children's Hearing (Scotland) Act 2011 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2017, including its income and expenditure, for the year then ended
- whether they have been properly prepared in accordance with IFRS as adopted by the European Union, as interpreted and adapted by the 2016/17 FReM, the requirements of the Children's Hearing (Scotland) Act 2011 and directions made thereunder by the Scottish Ministers
- the regularity of the expenditure and income.

Materiality

15. 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 Children's Hearings Scotland are set out in [Exhibit 3](#).



characteristics



responsibilities



principal activities



risks



governance arrangements

Exhibit 3

Materiality values

Materiality level	Amount
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. It has been set at 1% of gross expenditure for the year ended 31 March 2017 based on the prior year audited accounts.	£38,000
Performance materiality - This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement we have calculated performance materiality at 75% of planning materiality.	£29,000
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 5% of planning materiality rounded to a memorable numeric.	£2,000

16. It should be noted that we continue to exercise our professional judgement in certain areas of the financial statements such as the strategic report, governance statement and remuneration report. Any issue identified will be reported to the Audit Committee.

Timetable

17. 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. A proposed timetable is included at [Exhibit 4](#) which takes account of submission requirements and planned Audit Committee dates:

Exhibit 4

Financial statements timetable

 Key stage	 Date
Latest submission date of unaudited financial statements with complete working papers package	29 May 2017
Latest date for final clearance meeting with Chief Executive	28 June 2017
Agreement of audited unsigned financial statements; Issue of Annual Audit Report including ISA 260 report to those charged with governance	21 July 2017
Independent auditor's report signed	29 August 2017 (TBC)

Internal audit

18. 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 Scott Moncrieff.

Adequacy of Internal Audit

19. Overall, we concluded that the internal audit service operates in accordance with Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place. We will consider the work of internal audit throughout the year to inform our audit processes.

Audit dimensions

20. Children's Hearings Scotland is funded almost entirely from Grant In Aid from the Scottish Government, with occasional income from secondments of specialist staff to other organisations. Expenditure is mainly on staff and administration costs.

21. In consideration of the the size and nature of Children's Hearings Scotland, and based on our professional judgement, we have concluded that the full application of the wider scope is not appropriate or proportionate.

22. In such circumstances, the Code of Audit Practice requires auditors to undertake annual audit work on the wider scope that enables conclusions to be reached on:

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

23. We will review the governance statement and assess the financial sustainability of Children's Hearings Scotland as part of our financial statements audit. Conclusions on these matters will be reported accordingly in our Annual Audit Report.

Independence and objectivity

24. 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.

25. The engagement lead for Children's Hearings Scotland is David Jamieson, Senior Audit Manager. 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 Children's Hearings Scotland.

Quality control

26. 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.

27. 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 Auditor General for Scotland. 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.

28. 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.

Children's Hearings Scotland

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If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500 or info@audit-scotland.gov.uk

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