

Glasgow Community Justice Authority

Annual Audit Plan 2016/17



 AUDIT SCOTLAND

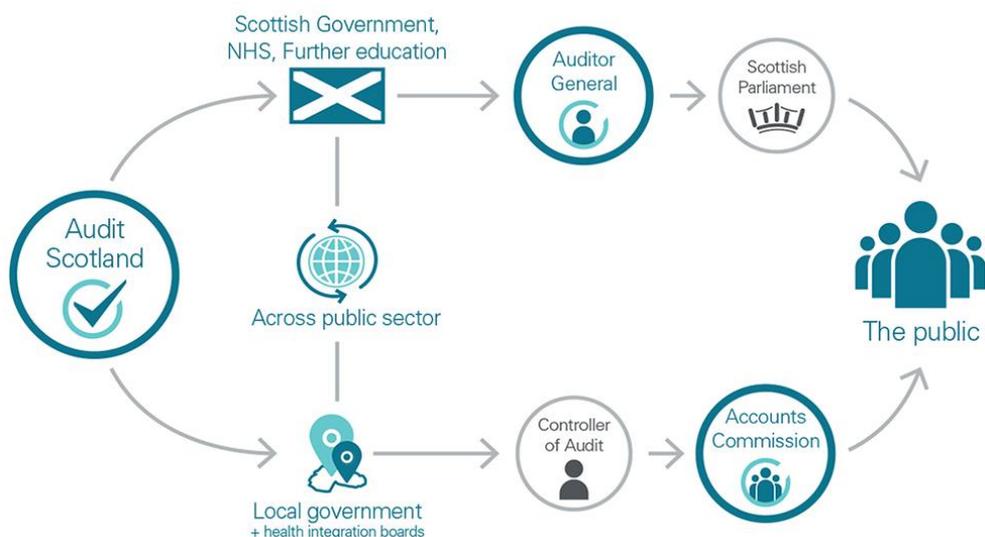
Prepared for Glasgow Community Justice Authority

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.

Contents

Risks and planned work	4
Audit risks	4
Reporting arrangements	5
Audit fee	6
Responsibilities	6
Audit scope and timing	7
Financial statements	7
Internal audit	9
Audit dimensions	9
Independence and objectivity	10
Quality control	10

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. 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

2. 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 Glasgow Community Justice Authority (the Authority). 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>	<p>Owing to the nature of this risk, assurances from management are not applicable.</p>	<p>Detailed testing of journal entries.</p> <p>Review of accounting estimates for bias.</p> <p>Focused testing of accruals and prepayments.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p>
<p>2 Risk of fraud over expenditure</p> <p>ISA 240 and the Code of Audit Practice require auditors to consider the risk of fraud over certain types of public sector expenditure.</p> <p>The presumed risk of fraud over expenditure is relevant due to the extent of the Authority's expenditure in delivering services.</p>	<p>Internal controls for the Authority's systems operate effectively.</p> <p>There is effective budgetary control by management.</p>	<p>Analytical procedures over expenditure.</p> <p>Detailed testing of expenditure transactions focusing on the areas of greatest risk.</p>
<p>3 Discharge of Responsibilities</p> <p>The role of accountable officer will transfer from the Authority's</p>	<p>Continuity of council officers involved in the preparation of financial statements.</p>	<p>Review of the arrangements in place for the discharge of responsibilities and the</p>

Audit Risk	Management assurance	Planned audit work
<p>Chief Officer to the Acting Executive Director of Financial Services of Glasgow City Council as the Authority's lead authority from 1 April 2017. There is a risk the Acting Executive Director does not have sufficient assurances in order to discharge these responsibilities in relation to the financial statements.</p>	<p>Annual report on 2016/17 performance to be considered at Board meeting in February 2017.</p> <p>Assurance statement on system of internal financial control from outgoing Chief Officer.</p> <p>Continued access to outgoing Chief Officer.</p>	<p>arrangements in place for the preparation of the financial statements.</p>

Wider dimension risks

4 Discharge of Responsibilities

The Chief Officer of the Glasgow Community Justice Authority and the Acting Executive Director of Financial Services are required to have an agreement in place surrounding the discharge of responsibilities upon disestablishment of the Authority. There is a risk that there is no formal agreement in place to ensure the discharge of financial responsibilities in order to facilitate the annual accounts process for 2016/17.

Glasgow Community Justice Authority has a Resilience and Disestablishment Plan in place (updated February 2017) which includes provision for the continuity of financial responsibilities beyond April 2017 through an agreement with Glasgow City Council.

On-going liaison with client staff and review of the Authority's arrangements for the discharge of responsibilities.

Reporting arrangements

3. 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.

4. 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 officer(s) to confirm factual accuracy.

5. We will provide an independent auditor's report to the Acting Executive Director of Financial Services of Glasgow City Council (as the person in control of the discharge of responsibilities of Glasgow Community Justice Authority), the Scottish Parliament and the Auditor General for Scotland, summarising the results of the audit of the annual accounts. We will provide the Acting Executive Director of Financial Services 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
Annual Audit Report including ISA 260 requirements	31 October 2017
Signed Independent Auditor's Report	31 October 2017

Audit fee

6. The agreed audit fee for the 2016/17 audit of Glasgow Community Justice Authority is £4,670. In determining the audit fee we have taken account of the risk exposure of Glasgow Community Justice Authority, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit. Our audit approach assumes receipt of the unaudited financial statements, with a complete working papers package by 30 June 2017.

7. 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

Accountable Officer

8. 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.

9. The audit of the financial statements does not relieve those charged with governance of their responsibilities.

Appointed auditor

10. 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.

11. 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

12. 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 Glasgow Community Justice Authority and the associated risks which could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how Glasgow Community Justice Authority 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.

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

- whether they give a true and fair view, in accordance with the Management of Offenders etc. (Scotland) Act 2005 and regulations made thereunder by the Scottish Ministers, of the state of the Authority's affairs and of its income and expenditure for the year
- whether they have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and the Management of Offenders etc. (Scotland) Act 2005 and regulations made thereunder by Scottish Ministers.

Materiality

14. 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 Glasgow Community Justice Authority are set out in [Exhibit 3](#).



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 for the year ended 31 March 2017, based on the projected outturn figures as reported to the Glasgow Community Justice Authority Board in December 2016.	£185,000
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 90% of planning materiality.	£167,000
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.	£ 9,000

15. We review and report on other information published with the financial statements including the Chief Officer's Report, Remuneration Report and the Statement on the System of Internal Financial Control. Any issue identified will be reported to those charged with governance.

Timetable

16. 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 4](#) which takes account of submission requirements.

Exhibit 4

Financial statements timetable

 Key stage	 Date
Latest submission date of unaudited financial statements with complete working papers package	30 June 2017
Progress meetings with officers on emerging issues	As required throughout the audit
Latest date for final clearance meeting with officers	Mid October 2017
Issue of combined ISA 260 and draft annual audit report to the accountable officer	Mid October 2017
Independent auditor's report signed and annual audit report finalised	31 October 2017
Target date for laying and publishing the annual audit report and accounts	31 December 2017

Internal audit

17. 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 the internal audit function of Glasgow City Council, as the Glasgow Community Justice Authority's administering authority.

Adequacy of Internal Audit

18. A review of the internal audit function at Glasgow City Council was carried out by the Glasgow City Council audit team in early 2017. This concluded that the internal audit function has sound documentation standards and reporting procedures in place and complies with the main requirements of the Public Sector Internal Audit Standards (PSIAS).

Audit dimensions

19. Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 5](#).

Exhibit 5

Audit dimensions



Financial sustainability

20. As 2016/17 is the final year of operation for the Glasgow Community Justice Authority, the scope of our work on financial sustainability will be limited to ensuring that the Authority has sufficient funding in place to ensure it can meet any costs associated with its disestablishment.

Financial management

21. Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. For the year ended 31 March 2017, we will review, conclude and report on:

- whether the Authority has arrangements in place to ensure systems of internal control are operating effectively

- whether the Authority can demonstrate the effectiveness of budgetary control system in communicating accurate and timely financial performance
- how the Authority has assured itself that its financial capacity and skills are appropriate
- whether the Authority has established appropriate and effective arrangements for the prevention and detection of fraud and corruption.

Governance and transparency

22. 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. For the year ended 31 March 2017, we will review, conclude and report on:

- whether the Authority can demonstrate that the governance arrangements in place are appropriate and operating effectively
- whether there is effective scrutiny, challenge and transparency on the decision-making and finance and performance reports
- the quality and timeliness of financial and performance reporting.

Value for money

23. Value for money refers to using resources effectively and continually improving services. We will review, conclude and report on whether the Authority demonstrated value for money in the use of its resources and achievement of its outcomes in 2016/17.

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 Glasgow Community Justice Authority is Stephen O’Hagan, 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 Glasgow Community Justice Authority.

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.

Glasgow Community Justice Authority

Annual Audit Plan 2016/17

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

For the latest news, reports and updates, follow us on:



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