

## REPORT TO AUDIT COMMITTEE – 20 MARCH 2019

### EXTERNAL AUDIT – ANNUAL AUDIT PLAN - 2018/19 AUDIT

#### **1 Recommendation**

**1.1 The Committee is recommended to discuss and note this paper.**

#### **2 Background / Discussion**

2.1 The external auditor's audit plan for the audit of the 2018/19 financial year is attached. This is the third year of Audit Scotland's five year audit appointment. The programme of work within the plan is set in accordance with Audit Scotland's Code of Audit Practice and provides for the necessary assurances required to support their opinions on the Council's financial statements and wider scope audit responsibilities.

2.2 The plan also applies to the audit of the council's registered charities where the local authority is the sole trustee.

2.3 The Committee is asked to discuss and note the plan, attached as appendix 1.

2.4 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report and their comments are incorporated within the report and are satisfied that the report complies with the Scheme of Governance and relevant legislation.

#### **3 Scheme of Governance**

3.1 The Committee is able to consider/comment on this item in terms of Section G.1.5 of the List of Committee Powers in Part 2A of the Scheme of Governance as the report relates to the Council's relationship with its external auditors.

#### **4 Equalities, Staffing and Financial Implications**

4.1 An equality impact assessment is not required because this report informs the Committee of the planned scrutiny activity to be carried out by audit and inspection bodies and does not have a differential impact on any of the protected groups.

4.2 There are no staffing and financial implications as a direct result of this report.

**Ritchie Johnson**  
**Director of Business Services**



# Aberdeenshire Council

Annual Audit Plan 2018/19



 AUDIT SCOTLAND

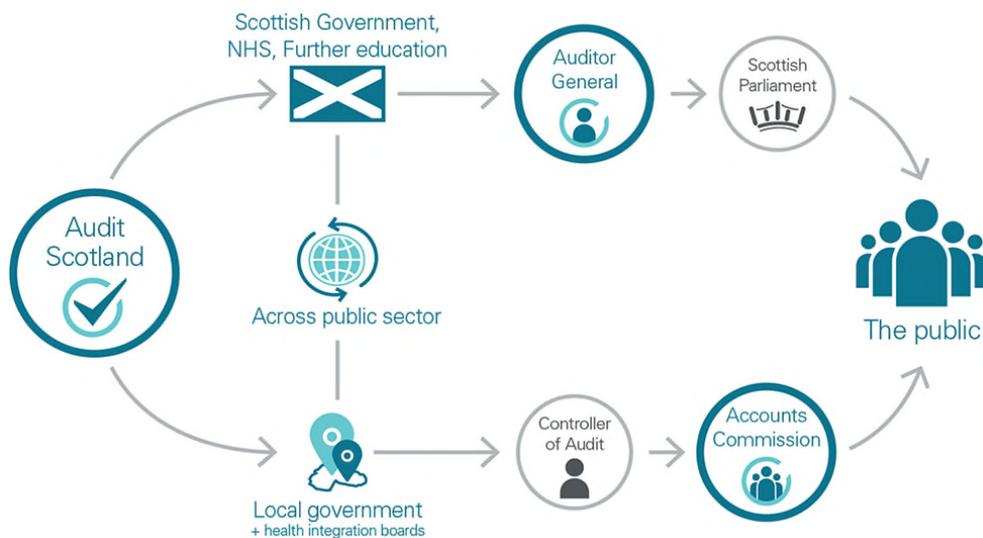
Prepared for Aberdeenshire Council

20 March 2019

## 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

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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 sets out the work necessary to allow us to provide an independent auditor's report on the council's financial statements and meet the wider scope requirements of public sector audit including the audit of Best Value.
2. The wider scope of public audit contributes to assessments and conclusions on financial management, financial sustainability, governance and transparency and value for money.
3. Where appropriate, this plan also applies to our audit of the council's relevant 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 Charities Accounts (Scotland) Regulations 2006, a full audit is required of all registered charities where the local authority is the sole trustee.

## Adding value

4. We aim to add value to Aberdeenshire Council through our external audit work by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice. In so doing, we intend to help the council promote improved standards of governance, better management and decision-making and more effective use of resources.

## Audit risks

5. We generally categorise risks into financial statement risks and wider dimension risks. Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified the risks in [Exhibit 1](#) as the main risk areas in 2018/19 for Aberdeenshire Council and its registered charities which are subject to audit. They have all been classed as financial statement risks. Our consideration of management sources of assurance and findings from our planned audit work will assist us in reaching conclusions on each of these risk areas.

## Exhibit 1 2018/19 Key audit risks

 Audit Risk	Source of assurance	Planned audit work
<b>Financial statements issues and risks</b>		
<p><b>1 Risk of management override of controls</b></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 to change the position disclosed in the financial statements.</p> <p>This risk also applies to the charities. Similar planned work will be carried out.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance.</p>	<ul style="list-style-type: none"> <li>• Detailed testing of journal entries</li> <li>• Review of accounting estimates</li> <li>• Focused testing of accruals and prepayments</li> <li>• Evaluation of significant transactions that are outside the normal course of business.</li> </ul>
<p><b>2 Risk of fraud over income and expenditure</b></p> <p>The council receives a significant amount of income in addition to Scottish Government funding.</p> <p>The extent and complexity of income means that, in accordance with ISA 240, there is an inherent risk of fraud. Potential areas of concern include council tax, business rates, care income and 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>Risk of fraud over expenditure also applies to the charities. Similar planned work will be carried out.</p>	<ul style="list-style-type: none"> <li>• Schemes of delegation in place</li> <li>• No history of significant fraud</li> <li>• Appropriate processes for the authorisation, separation of duties and workflow associated with income and expenditure</li> <li>• Compliance with procurement regulations</li> <li>• Budgetary control arrangements and regular financial monitoring by management and scrutiny by members through cycle of committee reporting</li> <li>• Regular review of financial systems and internal controls by internal audit</li> </ul>	<ul style="list-style-type: none"> <li>• Analytical procedures on income streams</li> <li>• Establishing and testing the operation of key controls</li> <li>• Detailed testing of revenue transactions focusing on the areas of greatest risk</li> <li>• Reviewing the council's work on National Fraud Initiative recommended matches</li> <li>• Assessing the overarching controls in grant and welfare schemes including benefit transactions</li> <li>• Reliance on the work of internal audit (refer para 26, page 13).</li> </ul>

 Audit Risk	Source of assurance	Planned audit work
<p><b>3 Estimation and judgements</b></p> <p>There is a significant degree of subjectivity in the measurement and valuation of the material account areas of non-current assets, pensions and provisions. This subjectivity represents an increased risk of misstatement in the financial statements.</p>	<ul style="list-style-type: none"> <li>• Use of clearly defined methodologies and procedures including experts, as appropriate, when making significant estimations and judgements</li> <li>• Management review by qualified finance staff.</li> </ul>	<ul style="list-style-type: none"> <li>• Completion of 'review of the work of an expert' in accordance with ISA 500 for the professional valuer and actuary. This requires assessment of the scope, independence and competence of the professionals engaged</li> <li>• Follow up work in respect of prior year recommendations relating to property valuations</li> <li>• Review council's arrangements for identifying potential provisions and contingent liabilities e.g. its cognisance of case law, national events etc</li> <li>• Review basis and calculation of provisions for bias and subjectivity</li> <li>• Focused substantive testing of key areas for completeness.</li> </ul>
<p><b>4 Manual authorisation of invoices for payment</b></p> <p>In both 2016/17 and 2017/18 we identified payment of invoices which are not initiated by an electronic purchase order as an area of audit risk because officers are approving invoices which exceed their approved authorisation limits.</p> <p>The council have been considering the implementation of a workflow type system on Oracle payments, but to date, no additional measures have been put in place to minimise this risk</p> <p>Such weaknesses in invoice authorisation increase the risk of fraud.</p>	<ul style="list-style-type: none"> <li>• Budgetary control arrangements.</li> </ul>	<ul style="list-style-type: none"> <li>• Focused substantive testing of manually authorised invoices will be extended to provide a sufficient level of assurance.</li> </ul>

 <b>Audit Risk</b>	<b>Source of assurance</b>	<b>Planned audit work</b>
<p><b>5 Integration Joint Board</b></p> <p>Aberdeenshire Integration Joint Board (IJB) is responsible for commissioning adult social care while the council is responsible for delivering services. Financial monitoring forecasts an overspend of approximately £3.5m in respect of 2018/19. In accounting terms, the IJB is a joint venture between the council and NHS Grampian. In accordance with the IJB's scheme of integration, a share of its income and expenditure will be included in each partner's group accounts.</p> <p>There are risks that:</p> <ul style="list-style-type: none"> <li>• 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 unplanned overspends</li> <li>• the council does not have proper arrangements in place to ensure the completeness and correct classification of IJB related transactions in its ledger, there is a risk that income and expenditure is misstated in the council's and IJB's accounts.</li> </ul>	<ul style="list-style-type: none"> <li>• The financial ledger coding structure identifies all IJB transactions</li> <li>• Regular monitoring of financial information</li> <li>• Treatment of over- and underspends set out in the Integration Scheme</li> <li>• Council, NHS Grampian and IJB finance staff are liaising to identify options to resolve financial challenges being experienced</li> <li>• Subject to the above, early agreement of balances between council and IJB.</li> </ul>	<ul style="list-style-type: none"> <li>• Review the council's arrangements for completeness of the IJB's ledger and transactions</li> <li>• Sample test income and expenditure relating to health and social care services provided to the IJB</li> <li>• Focused review of the management of the Care First care package system</li> <li>• Confirm whether any overspends or underspends relating to the council are accounted for in accordance with the integration scheme</li> </ul>

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Source: Audit Scotland

## Charitable Trusts administered by Aberdeenshire Council

6. 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.
7. Aberdeenshire Council amalgamated a number of its smaller charities within a new charity known as Aberdeenshire Charities Trust (ACT2). The net assets of the combined trust are £0.5m. In addition, the council administers Educational Trusts with net assets of £3.9m, and three smaller charitable trusts with combined net assets of £0.1m. We will perform the audit of the charitable trusts in parallel with the audit of the council's annual accounts. Other than a risk of management override of controls and a risk of fraud over expenditure, which have also been identified as risks for the council's annual accounts, no specific planning risks were identified in respect of the audits of the charities' accounts which require to be brought to your attention.

## Reporting arrangements

8. 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](http://www.audit-scotland.gov.uk).
9. 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. We will also undertake follow up audit activity to report progress on our recommendations made in previous years.
10. We will provide an independent auditor's report to Aberdeenshire Council and the Accounts Commission setting out our opinions on the annual accounts. We will provide an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

## Exhibit 2 2018/19 Audit outputs

Audit Output	Target date for consideration by Audit Committee	Final submission date for returns to Audit Scotland
<b>Governance</b>		
Interim Report	04 July 2019	By 30 September 2019
External Audit Outstanding Recommendations / External Audit Progress Report	Each meeting	N/A
<b>Performance Audit</b>		
Early learning and childcare – impact assessment	N/A	Spring 2019
Equal pay in Scottish councils – impact assessment	N/A	Spring 2019
Self directed support – impact assessment	N/A	Spring 2019
Educational Outcomes – Data Return	N/A	Summer 2019
Waste Management – Data Return	N/A	Summer 2019
National Fraud Initiative – Data Return	N/A	30 June 2019
Overview Report – Data Return	N/A	1 October 2019
Fraud Returns	N/A	Quarterly (if applicable)
<b>Financial statements</b>		
Communication of audit matters to those charged with governance - Annual Report on the 2018/19 audit	19 September 2019	By 30 September 2019
Independent auditor's report on the financial statements	19 September 2019	By 30 September 2019
Audit opinion on charitable trusts accounts	19 September 2019	By 30 September 2019
Audit opinion on Whole of Government Accounts	N/A	By 30 September 2019

Audit Output	Target date for consideration by Audit Committee	Final submission date for returns to Audit Scotland
<b>Grants</b>		
Education Maintenance Allowance	N/A	31 July 2019
Non-Domestic Rates Income return	N/A	4 October 2019
Housing Benefit Subsidy	N/A	30 November 2019

Source: Audit Scotland

## Audit fee

11. The proposed audit fee for the 2018/19 audit of Aberdeenshire Council is £393,590 (2017/18 £387,000). This is split between the council £385,840 (2017/18 £379,250) and the charitable trusts £7,750 (2017/18 £7,750). In determining the audit fee we have taken account of the council's risk exposure, 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 annual accounts, with a complete working papers package by 30 June 2019.
12. Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual accounts 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 out with our planned audit activity.

## Responsibilities

### Audit Committee and Section 95 Officer

13. 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.
14. The audit of the financial statements does not relieve management or the Audit Committee as those charged with governance, of their responsibilities.
15. The Local Authority Accounts (Scotland) Regulations 2014 (2014 Regulations) set out significant statutory responsibilities for councils and their audit committees in respect of their annual accounts and governance arrangements including:
  - a local authority must conduct an annual review of the effectiveness of its internal controls. The findings from such a review must be considered by the audit committee before approving an annual governance statement
  - the local authority must assess the efficiency and effectiveness of its internal audit service and the findings should be considered as part of the review of internal controls
  - by 31 August, the audit committee should consider the unaudited accounts
  - no later than 30 September, the audit committee should aim to consider the audited accounts and approve them for signature. Regulations require signature by the Council's Leader, Chief Executive and Section 95 Officer.

### Appointed auditor

- 16.** Our responsibilities as independent auditor are established by the Local Government (Scotland) Act 1973 and the Code of Audit Practice, and guided by the Financial Reporting Council's Ethical Standard.
- 17.** Auditors in the public sector give an independent opinion on the financial statements and other information within the annual accounts. 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

18. 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 council's business and 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 the 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.

19. 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 2018/19 Code of Practice on local authority accounting in the UK (the accounting code) of the state of the affairs of the council and its group as at 31 March 2019 and of the income and expenditure of the council and its group for the year then ended
- whether they have been properly prepared in accordance with International Finance Reporting Standards (IFRSs) as adopted by the European Union, as interpreted and adapted by the 2018/19 accounting code; and
- whether they 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.

## Other information in the financial statements

20. We also review and report on other information published within the annual accounts including the management commentary, annual governance statement and the remuneration report. In our independent auditor's report, we give an opinion on whether these have been compiled in accordance with the appropriate regulations and frameworks.

## Materiality

21. We apply the concept of materiality in planning and performing the audit. It is used in evaluating the effect of identified misstatements on the audit, and of any uncorrected misstatements, on the financial statements and in forming our opinions in the independent auditor's report.



22. 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](#). For the Charitable Trusts, different levels of materiality have been set in respect of transactions in the Statement of Financial Activities (i.e. the income and expenditure account) and balances in the Balance Sheet due to the disparity in values between the two.

### Exhibit 3 Materiality values – Aberdeenshire Council

Materiality	Amount
<b>Planning materiality</b> – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1.5% of gross expenditure for the year ended 31 March 18 based on the latest audited accounts.	£14.9m
<b>Performance materiality</b> – 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.	£11.2m
<b>Reporting threshold (i.e., clearly trivial)</b> – We are required to report to those charged with governance on all unadjusted misstatements more than the ‘reporting threshold’ amount. This has been set at 1.5% of planning materiality (and rounded accordingly).	£250,000

### Materiality values – Charitable Trusts

Charitable Trust	Planning materiality	Performance materiality	Reporting threshold
	(2% of gross income/net assets)	(75% of Planning materiality)	(5% of planning materiality)
	Transactions / Balances	Transactions / Balances	Transactions / Balances
Aberdeenshire Charities Trust 2	£560 / £10,200	£420 / £7,650	£28 / £510
Aberdeenshire Educational Trust	£2,840 / £77,760	£2,130 / £58,095	£142 / £3,873
Anderson & Woodman Library Trust	£47 / £1,833	£35 / £1,375	£2 / £92
Andrew Cooper History Prize Fund	£21 / £77	£16 / £58	£1 / £4
McDonald Public Park Endowment	£23 / £243	£17 / £183	£1 / £12

Source: Audit Scotland

## Timetable

23. To support the efficient use of resources it is critical that the annual accounts timetable is agreed with us to produce the unaudited accounts. We have included an agreed timetable at [Exhibit 4](#).

### Exhibit 4 Annual accounts timetable

 Key stage	 Date
Latest submission date of unaudited annual accounts with complete working papers package	By 30 June 2019
Consideration of unaudited annual accounts by those charged with governance (i.e. the Audit Committee)	4 July 2019
Latest date for final clearance meeting with Head of Finance	w/c 26 August 2019
Agreement of unsigned annual accounts and issue of Annual Audit Report for pre-meeting of the Audit Committee	6 September 2019
Planned approval of audited financial statements for signature, and consideration of Annual Audit Report by those charged with governance (i.e. the Audit Committee)	19 September 2019
Independent auditor's report signed	19 September 2019

Source: Audit Scotland

## Internal audit

24. 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.
25. We have carried out an assessment of the internal audit function and confirmed that it complies with the relevant Public Sector Internal Audit Standards (PSIAS) which enables us to take assurance from their documentation and reporting procedures. In addition, the council's independent assessment of the internal audit section reported in September 2018 confirmed there were no areas of non-conformance against PSIAS.

### Using the work of internal audit

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

- Catering Income
- Harbours
- Primary School Visits
- Social Work Financial Assessments
- Creditor Payments
- Music Tuition
- Sale of Land and Property
- Sports Facilities

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

- Approved Budget Savings
- Code of Corporate Governance
- Compliance with Procurement related Legislation and Council Regulations
- Project Management
- Risk Management Process
- Workforce Planning
- Capital Plan
- Council Plan
- Prevention of Fraud, Bribery and Corruption
- Revenue Budget Monitoring Procedures
- Treasury Management

## Audit dimensions

28. Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 5](#). As part of the 2018/19 audit, follow up wider dimension audit activity will also be carried out to report progress on previous year recommendations covering the council's scrutiny arrangements, measures for monitoring progress against council priorities, and achievement of budget savings and use of earmarked balances.

### Exhibit 5 Audit dimensions



Source: Code of Audit Practice

29. In the local government sector, the appointed auditor's annual conclusions on these four dimensions, including follow up audit activity, will help contribute to an overall assessment and assurance on best value.

### Financial sustainability

30. 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 council'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 the council can demonstrate the affordability and effectiveness of funding and investment decisions it has made.

### **Financial management**

**31.** 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 its 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**

**32.** 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
- there is effective scrutiny, challenge and transparency on decision-making and finance and performance reports
- there is quality and timely financial and performance reporting
- there are robust arrangements in place to support the annual governance statement.

### **Value for money**

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

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

## Best Value

- 34.** The Accounts Commission agreed the overall framework for a new approach to auditing Best Value in June 2016. The introduction of the new approach coincided with the five-year audit appointments from October 2016.
- 35.** 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 with conclusions and judgements being reported through:
- the local auditor's Annual Audit Report which will provide a rounded picture of the council overall
  - an annual assurance and risks report that the Controller of Audit will provide to the Accounts 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.
- 36.** The seven councils on which a BVAR will be published during the third year of the new approach are listed in [Exhibit 6](#). Reports will be considered by the Accounts Commission in the period between March and November 2019.

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## Exhibit 6

### 2018/19 Best Value Assurance Reports

	North Lanarkshire Council	Highland Council
	Stirling Council	Scottish Borders Council
	South Lanarkshire Council	Perth and Kinross Council
	Midlothian Council	

Source: Audit Scotland

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- 37.** The local audit work planned in Aberdeenshire Council as part of the 2018/19 audit will focus on the council's arrangements around Performance, Outcomes and Improvement. In reaching our conclusions, we will consider the following lines of enquiry:
- What progress has the council made in improving local outcomes?
  - How well are council services performing?
  - How strong is the council's focus on its customers and stakeholders?
  - How effective is performance management?
  - Is there a culture of challenge and scrutiny to support improvement?
  - How effective is public performance reporting?

## Independence and objectivity

- 38.** Auditors appointed by the Accounts Commission must comply with the Code of Audit Practice and relevant supporting guidance. 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 robust arrangements in place to ensure compliance with these standards including an annual “fit and proper” declaration for all members of staff. The arrangements are overseen by the Director of Audit Services, who serves as Audit Scotland’s Ethics Partner.
- 39.** The engagement lead (appointed auditor) for Aberdeenshire Council is Gillian Woolman, Audit Director while Anne MacDonald, Senior Audit Manager, is the engagement lead for the council’s charitable trusts. 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 the council or its charitable trusts.

## Quality control

- 40.** 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.
- 41.** 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 (and supporting guidance) 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. Additionally, the Institute of Chartered Accountants of Scotland (ICAS) have been commissioned to carry out external quality reviews.
- 42.** Each year, Audit Scotland publishes an Audit Quality report which summaries the results of the above audit quality activity carried out on audit work delivered by Audit Scotland and the appointed firms.
- 43.** 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.

## 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 and skills are provided in [Exhibit 7](#). The audit team may be supplemented by additional staff during peak times.

## Exhibit 7

### Core Audit team

Name	Experience
<p>Gillian Woolman FCA CPFA</p> <p>Audit Director (and certifying auditor for Aberdeenshire Council)</p>	<p>Gillian has worked in the public and private sector, internal and external audit. She is the lead Audit 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 Chair of the Local Authority (Scotland) Accounts Advisory Committee (LASAAC).</p>
<p>Anne MacDonald CA</p> <p>Senior Audit Manager (and certifying auditor for Aberdeenshire Council's registered Charitable Trusts)</p>	<p>Anne has many years of public sector experience, mainly in local government, covering both financial audit and best value audit. She has a lead role for local government matters in Audit Scotland which includes reporting emerging issues to the Accounts Commission.</p>
<p>Mark Johnstone CPFA</p> <p>Senior Auditor</p>	<p>Mark has over 20 years public sector audit experience, across the local government, central government, health and further education sectors. He contributed to the Accounts Commission's Local Government Overview in 2017/18.</p>
<p>Deirdre Sim</p> <p>Auditor</p>	<p>Deirdre has significant public sector audit experience in a wide range of clients in the local government and health sectors.</p>
<p>Adebayo Ladejobi</p> <p>Professional Trainee</p>	<p>Adebayo qualified as a Chartered Accountant in Nigeria. He joined Audit Scotland's graduate training programme in 2015 and is currently working towards his qualification with the Institute of Chartered Accountants of Scotland.</p>

Source: Audit Scotland

# Aberdeenshire Council

## Annual Audit Plan 2018/19

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