

FALKIRK COUNCIL

Subject: ANNUAL EXTERNAL AUDIT PLAN 2014/15
Meeting: AUDIT COMMITTEE
Date: 20 APRIL 2015
Author: CHIEF FINANCE OFFICER

1. INTRODUCTION

- 1.1 As Members will be aware, Audit Scotland are required to produce an annual audit plan each year. The purpose of this report is to introduce that plan for 2014/15 and highlight some key points from the Council perspective. This plan covers the Council and Temperance Trust only. The Pension Fund will be the subject of a separate plan.
- 1.2 The plan provides information on the following areas:
- Responsibilities
 - Audit approach
 - Audit issues and risks
 - Fees and resources

2. RESPONSIBILITIES

- 2.1 The plan notes that it is the responsibility of the Chief Finance Officer to prepare the financial statements in accordance with relevant legislation and the Code of Practice on Local Authority Accounting in the United Kingdom.
- 2.2 It is the responsibility of the auditors to give an independent opinion on the financial statements and review and report on the arrangements set in place by the audited body to ensure the proper conduct of its financial affairs and to manage its performance and use of resources.

3. AUDIT APPROACH

- 3.1 The plan outlines Audit Scotland's approach to the audit of the Council. This approach includes consideration of key risks and challenges, and involves audit testing focussed on high risk areas during the audit of the financial statements.
- 3.2 Audit Scotland have considered areas of assurance, for example, systems of internal control. They have also reviewed the role of Internal Audit and concluded that the section operates in accordance with Public Sector Internal Audit Standards and has sound documentation standards and reporting procedures in place.

3.3 Audit Scotland will place reliance on the following areas of Internal Audit work:

- Non-Domestic Rates
- Payroll (overtime and allowance administration)
- Council house buy back
- Trade receivables

Other areas of internal audit work, including procurement, TIF, SPI's and Health and Social Care Integration will be considered.

3.4 Audit Scotland have revised their approach to materiality and now provide values for 2014/15 materiality levels as follows:

- Planning materiality - £6.6m (1% of gross expenditure)
- Performance materiality - £3m
- Reporting of misstatements to the Audit Committee – greater than £0.066m

Other items which fall below the quantitative materiality level but within a qualitative materiality level, i.e. failure to deliver a statutory requirement, would be highlighted in the auditor's report.

3.5 Reporting arrangements are per the Local Authority Accounting (Scotland) Regulations 2014, as previously reported to this Committee. Key dates are:

<u>Stage</u>	<u>Date</u>
Audit Committee approval of unaudited financial statements	22 June 2015
Submission of unaudited financial statements (Council and Temperance Trust) and working paper to audit	22 June 2015
Agreement of unsigned financial statements for Audit Committee Agenda	14 September 2015
Audit Committee date	21 September 2015
Independent Auditors report signed	By 30 September 2015

4. AUDIT ISSUES AND RISKS

- 4.1 Audit Scotland have identified a number of risks for the Council. These are detailed in Appendix 2 of the plan and include the following:

Financial Statement Risk

- Accounting for non-current assets. An error was found in the 2013/14 unaudited accounts that was subsequently corrected. This area will therefore be reviewed again.
- Exit packages. These are material by nature and packages have been allocated to the incorrect year in the past although again this has been corrected.
- Equal Pay. Our provision needs to be reviewed as the legal position develops.
- Finance staffing. The plan acknowledges the loss of posts and experience in the Service.

Wider Risk

- Internal Audit. Audit Scotland have highlighted the vacancy within the section and the involvement of internal audit in the Business Transformation project as a concern in the context of delivery of the internal audit plan.
- Risk Management. Ongoing developments in respect of risk management will continue to be monitored.
- Health and Social Care Integration. Audit Scotland will review financial plans and monitor progress in implementing the governance arrangements for the new Integration Joint Board and will maintain a national oversight on developments.

5. FEES AND RESOURCES

- 5.1 The fee for the 2014/15 audit of Falkirk Council will be £321,990. There is an additional fee of £200 for the audit of the Falkirk Temperance Trust.

6. RECOMMENDATION

- 6.1 **Members are invited to note the Audit Scotland 2014/15 Annual Audit Plan.**

Chief Finance Officer

Date: 30 March 2015

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LIST OF BACKGROUND PAPERS

NIL