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|-------------------------|------------------------------------|--------------------|-------------------------|
| Report To: | Audit Committee | Date: | 21 February 2017 |
| Report By: | Chief Financial Officer | Report No: | FIN/14/17/AP/CM |
| Contact Officer: | Alan Puckrin | Contact No: | 01475 712223 |
| Subject: | External Audit Plan 2016/17 | | |

1.0 PURPOSE

- 1.1 The purpose of the report is to present the External Audit Plan for 2016/17, produced by Audit Scotland.

2.0 SUMMARY

- 2.1 Appendix 1 contains the Annual Audit Plan 2016/17 prepared by the Council's External Auditors, Audit Scotland.
- 2.2 Representatives from Audit Scotland will be in attendance at the meeting on order to present the Plan and answer any questions.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that Committee note the Annual Audit Plan 2016/17.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

- 4.1 The Council's External Auditors, Audit Scotland, have submitted their plan for the audit of the 2016/17 annual accounts. This plan is attached at Appendix 1.
- 4.2 Representatives from Audit Scotland will be in attendance at the meeting on order to present the Plan and answer any questions.

5.0 FINANCIAL IMPLICATIONS

- 5.1 There are no financial implications arising from this report.

One off Costs

| Cost Centre | Budget Heading | Budget Years | Proposed Spend this Report £000 | Virement From | Other Comments |
|-------------|----------------|--------------|------------------------------------|---------------|----------------|
| N/A | | | | | |

Annually Recurring Costs/ (Savings)

| Cost Centre | Budget Heading | With Effect from | Annual Net Impact £000 | Virement From (If Applicable) | Other Comments |
|-------------|----------------|------------------|------------------------|-------------------------------|----------------|
| N/A | | | | | |

5.2 Legal

There are no legal issues arising from the content of this report.

5.3 Human Resources

There are no direct staffing implications in respect of the report.

5.4 Equalities

There are no equalities implications in this report.

5.5 Repopulation

There are no repopulation implications in this report.

6.0 CONSULTATIONS

- 6.1 External Audit attended the Corporate Management Team to present the External Audit Plan and the Corporate Management Team would raise no issues regarding the content.

7.0 LIST OF BACKGROUND PAPERS

- 7.1 None

Inverclyde Council

Annual Audit Plan 2016/17



 AUDIT SCOTLAND

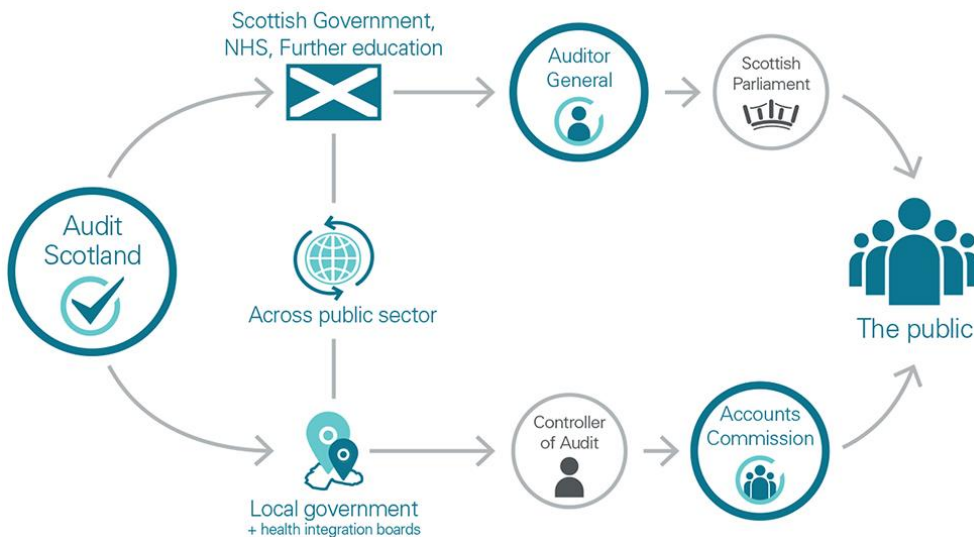
Prepared for Inverclyde Council

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 including the new approach to Best Value. 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 Inverclyde 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](#).

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 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 significant management estimates and evaluation of the impact of any variability in key assumptions. Focused testing of accruals and prepayments. Evaluation of significant transactions that are outside the normal course of business. |
| <p>2 Risk of fraud over income and expenditure</p> <p>ISA 240 presumes a risk of fraud over income which is expanded to include fraud over expenditure in the public sector by the Code of Audit Practice</p> <p>Inverclyde Council receives a significant amount of income in addition to Scottish Government funding. The extent and</p> | <p>The annual internal audit plan for 2016/17 includes specific corporate fraud reviews of the following:</p> <ul style="list-style-type: none"> Non Domestic Rates Creditors - Duplicate Payments Council Tax Reduction Scheme Serious Organised Crime | <ul style="list-style-type: none"> Analytical procedures on income and expenditure streams. Detailed testing of revenue transactions focusing on the areas of greatest risk. Review of National Fraud Initiative arrangements and results. Review of Housing Benefit and Council Tax Benefit |

| Audit Risk | Management assurance | Planned audit work |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>complexity of income means that, in accordance with ISA240, there is an inherent risk of fraud. Particular areas of concern include council tax, non domestic rates and income from sundry debtors. The risk of fraud over expenditure also applies due to the variety and extent of expenditure made by the Council in delivering services.</p> | <p>Checklist</p> <p>The plan also allows for the oversight of arrangements for the 2016/17 National Fraud Initiative (NFI) exercise. A progress report will be presented to Audit Committee in May 2017.</p> <p>Compliance with relevant financial policies and procedures is reviewed by management as part of the annual governance review.</p> | <p>payments.</p> |
| <p>3 Estimation and judgements</p> <p>There is a significant degree of subjectivity in the measurement and valuation of the material account areas of non current assets and provisions. This subjectivity represents an increased risk of misstatement in the financial statements.</p> | <p>The Council revalues its property assets on a rolling basis over a five year period. A full valuation was last carried out in 2015/16. Management review capital additions in the year by identifying capital expenditure over £100,000 to consider whether it has added value to the asset. Projects completed in the year or assets which have significantly changed such that the value may change are revalued in accordance with International Financial Reporting Standard (IFRS) 13 and the Code</p> <p>The Council reviews its exposure to any claims on an annual basis to determine the level of the provision to be included in the financial statements. The Council's Legal & Property service is consulted in arriving at the level of provisions.</p> | <ul style="list-style-type: none"> • Completion of 'review of the work of an expert' for the professional valuer. • Focused substantive testing of provisions focusing on the appropriateness of the valuation. |
| <p>4 Highways network assets (HNA)</p> <p>HNA are to be recognised for the first time in the 2017/18 financial statements of all councils. While this is not a risk to the 2016/17 financial statements, this is a new and complex area and there is a risk that Inverclyde Council does not have sound arrangements in place to support adoption in 2017/18.</p> | <p>Management have developed a project plan and operational procedures that include detailed tasks allocated to a responsible officer and ensures officers are clear on all local requirements.</p> <p>Officers from Finance meet regularly with relevant Roads officers to discuss progress and review the planned valuation methodology.</p> <p>Internal audit completed an interim project assurance review, in February 2017, to assess the adequacy and effectiveness of the governance, risk management</p> | <ul style="list-style-type: none"> • Assess the arrangements in place to obtain the required knowledge and expertise to implement the new requirements. • Review and assess the valuation methodology for HNA to ensure that it is in accordance with the Code of practice on the highway network assets. |

| Audit Risk | Management assurance | Planned audit work |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | <p>and controls surrounding the project for valuing roads network assets. A follow up assurance review which will focus on the valuation methodology is planned for later in 2017.</p> | |
| <p>5 Group accounting</p> <p>Inverclyde Council has a group which requires the consolidation of a range of associates into the financial statements. For 2016/17 this also includes consolidating the Inverclyde Integration Joint Board.</p> <p>Inverclyde Council has taken the decision not to consolidate its Common Good and Trust Fund balances on the basis of materiality.</p> <p>The group arrangements leads to a risk over the accuracy and completeness of the group accounts.</p> | <p>Management consider common good and trust balances immaterial in purely financial terms. The greater degree of public interest in these is reflected in their inclusion as additional financial statements within the single entity accounts.</p> <p>Management will continue to review their consolidation on an annual basis as part of the year end process to ensure all relevant entities are included and consolidated on an appropriate basis.</p> <p>As part of the year end process management will consider the council's relationship with Inverclyde Integration Joint Board to ensure it is consolidated on an appropriate basis in line with the Code.</p> <p>Relevant organisations are contacted at year end to notify them of the group reporting requirements and to ensure returns are received on a timely basis.</p> | <ul style="list-style-type: none"> • Review the group boundary assessment undertaken by the Council. • Detailed coverage during the financial statements audit in accordance with ISA 600. |
| <p>6 Revised financial statement formats</p> <p>From 2016/17 the Code requires authorities to present their service segments on the face of the Comprehensive Income and Expenditure Statement (CIES) based on the way in which they operate and manage services. There is a risk that comparative 2015/16 data may not be presented correctly.</p> | <p>Relevant officers meet on a regular basis to discuss the changes to the 2016/17 Code including the revision to the financial statement including 2015-16 restatement of the CIES.</p> <p>A paper was presented to the Audit Committee in January 2017 outlining the revision to the presentation of the key financial statements and comparing it to the audited 2015/16 CIES.</p> | <ul style="list-style-type: none"> • Review work done on mapping prior year disclosures in the revised CIES to the 2015/16 audited accounts. |
| <p>7 Loans Fund Accounting</p> <p>The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016 came into force on 1 April 2016. The Regulations set out the</p> | <p>The Council already maintains a loans fund in accordance with the requirements and holds and annually updates its records of the annual repayments to be made to revenue for each loans fund</p> | <ul style="list-style-type: none"> • Review the arrangements in place to comply with the new loans fund accounting requirements. • Detailed audit testing of loans fund transactions |

| Audit Risk | Management assurance | Planned audit work |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|
| <p>powers of local authorities to borrow and maintain a loans fund and result in a change in accounting treatment from 2016/17. There is a risk that Inverclyde Council do not have arrangements in place to comply with the new accounting practices.</p> | <p>advance.</p> <p>In relation to the prudent repayment of loans fund advances, the Council proposed to use Option 1 (the Statutory Method) for advances made up until 31 March 2021 and will include this (and the other information required by paragraphs 61 to 69 of the Statutory Guidance) in the annual Treasury Management Strategy Statement submitted for Policy & Resources Committee and Full Council approval.</p> <p>The Council's accounting policies will also be updated in the Annual Accounts to reflect this policy.</p> | <p>within the financial statements.</p> |

Wider dimension risks

8 Financial planning

Inverclyde Council has a long term financial plan covering the period 2016 to 2024. This is based on financial assumptions and is informed by scenario planning. While the Council has made progress in financial planning, financial challenges are unlikely to reduce and budget gaps are still to be addressed for the short and medium term. For 2017/18 the forecast funding gap will be mostly met from reserves, with decisions on proposed efficiency savings being deferred until after the local elections in May 2017.

The Financial Strategy is reviewed 6 monthly and takes account of latest information and is reviewed by Corporate Management Team (CMT) and approved by Council.

The Financial Strategy contains a section on risk plus short/medium and long term issues.

Officers are progressing savings proposals for review by the new Council. Members approved the 'Delivering Differently in Inverclyde' report and the creation of Change Boards within each Directorate Management Team (DMT) which reports to the CMT bi-monthly.

- Undertake specific audit work on financial planning and governance as part of the Best Value Assurance Report. This will include assessing the robustness of long term financial planning.
- Review of the Council's progress in achieving its planned savings.

Reporting arrangements

3. Audit reporting is the visible output for the annual audit. All annual audit plans and outputs as detailed in

4. [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 officer(s) to confirm factual accuracy.

6. We will provide an independent auditor's report to Inverclyde Council and the Accounts Commission that the audit of the financial statements has been completed in accordance with applicable statutory requirements. We will provide the Members of Inverclyde 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 | Audit Committee (or equivalent) Date |
|----------------------------------------------------|----------------|--------------------------------------|
| Key Controls Report | May 2017 | Audit Committee - 30 May 2017 |
| Best Value Assurance Report | June 2017 | Council - 27 June 2017 |
| Annual Audit Report including ISA 260 requirements | September 2017 | Council - tbc |
| Signed Independent Auditor's Report | September 2017 | N/A |

Audit fee

7. The agreed audit fee for the 2016/17 audit of Inverclyde Council is £242,440. In determining the audit fee we have taken account of the risk exposure of Inverclyde Council, 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.

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 1973 Act for local government and the Code of Audit Practice, and are 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 Inverclyde Council and the associated risks which could impact on the financial statements
- obtaining assurances from the outgoing auditors for the opening balances in 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 Inverclyde Council will include these in the financial statements
- assessing the risks of material misstatement in the financial statements, and the impact of consolidation of the Integration Joint Board into the group accounts
- 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 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
- 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.

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 Inverclyde Council 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 2016 based on the latest audited accounts. | £2.8 million |
| 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, and taking into account issues identified in the 2015/16 annual audit report relating to fixed assets, we have calculated performance materiality at 25% of planning materiality. | £0.7 million |
| 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 set at the maximum value permitted. | £0.1 million |



16. We review and report on other information published with the financial statements including the management commentary, annual governance statement and the remuneration report. Any issues 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. An agreed 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 |
|-----------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|
| Consideration of unaudited financial statements by those charged with governance | 27 June 2017 |
| Latest submission date of unaudited [body's] financial statements with complete working papers package | 30 June 2017 |
| Latest date for final clearance meeting with Chief Financial Officer | 8 September 2017 |
| Agreement of audited unsigned financial statements; Issue of Annual Audit Report including ISA 260 report to those charged with governance | September 2017 |
| Independent auditor's report signed | September 2017 |
| Latest date for signing of Whole of Government Accounts (WGA) return | 2 October 2017 |

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 carried out an assessment of the internal audit function. Internal audit is provided by a team of staff managed by a Chief Internal Auditor.

Adequacy of Internal Audit

19. Our assessment of the internal audit function concluded that it has sound documentation standards and reporting procedures in place and complies with the main requirements of the Public Sector Internal Audit Standards (PSIAS).

Areas of reliance

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

- Non domestic rates (financial system review and fraud risk review)

21. We also plan to consider other areas of internal audit work in respect of both our financial statements and wider dimension audit responsibilities. This includes:

- Procurement compliance - supplier management (risk based audit)
- Facilities services - catering (risk based audit)
- Building services unit (risk based audit)
- Creditor duplicate payments (fraud risk review)
- Council tax reduction scheme - exemptions (fraud risk review)
- Valuing highway assets (project assurance)
- National Fraud Initiative (other work)

Audit dimensions

22. Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 5](#). Our conclusions on these four dimensions will contribute to an overall assessment and assurance on best value.

Exhibit 5

Audit dimensions



Financial sustainability

23. 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 medium term (two to five years) and longer term (longer than five years). We will carry out work and conclude on the following in 2016/17:

- 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

Financial management

24. 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:

- the arrangements in place to ensure systems of internal control are operating effectively
- whether Inverclyde Council can demonstrate the effectiveness of budgetary control in communicating accurate and timely financial performance
- how assurance has been gained that the Council's financial capacity and skills are appropriate
- whether appropriate and effective arrangements for the prevention and detection of fraud and corruption have been established.

Governance and transparency

25. 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 Inverclyde Council can demonstrate that the governance arrangements in place are appropriate and operating effectively including

services delivered by, or in partnership with, others such as Arms Length External Organisations (ALEOs).

- 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

26. Value for money refers to using resources effectively and continually improving services. We will review, conclude and report on whether:

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

Strategic plan for the five year appointment

27. As part of our responsibility to report on the audit dimensions over the current audit appointment we have identified the following areas of proposed audit work (this will be subject to annual review):

Exhibit 6
Strategic plan

| Dimension | 2016/17 | 2017/18 | 2018/19 to 2020/21 |
|-----------------------------|----------------------------------------------|-----------------------------|--------------------|
| Financial sustainability | Financial planning | | Financial planning |
| Financial management | Financial governance and resource management | Shared services development | City deals |
| Governance and transparency | Governance | | |
| Value for money | Best Value Audit Report | ALEO performance | |

Best Value

28. 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.

29. 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.
- 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.

30. 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. Inverclyde Council's report is scheduled to be considered by the Accounts Commission in May 2017. The other reports will be considered by the Accounts Commission between June 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 |

Independence and objectivity

31. 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.

32. The engagement lead for Inverclyde Council is Brian Howarth, Assistant Director. 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 Inverclyde Council.

Quality control

33. 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.

34. 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 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.

35. 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.

Inverclyde Council

Annual Audit Plan 2016/17

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