

# East Renfrewshire Council

Annual Audit Plan 2020/21



 AUDIT SCOTLAND

Prepared for East Renfrewshire Council

March 2021

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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 which is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and guidance on planning the audit. This plan sets out the work necessary to allow us to provide an independent auditor's report on the annual accounts 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.** The public health crisis caused by the coronavirus disease 2019 (COVID-19) pandemic has had a significant and profound effect on every aspect of Scottish society. Public services have been drastically affected, requiring immediate changes to the way they are provided. The impact on public finances has been unprecedented, which has necessitated both the Scottish and UK governments providing substantial additional funding for public services as well as support for individuals, businesses and the economy. It is likely that further financial measures will be needed and that the effects will be felt well into the future.

**4.** Public audit has an important contribution to the recovery and renewal of public services. The Auditor General, the Accounts Commission and Audit Scotland are responding to the risks to public services and finances from COVID-19 across the full range of audit work including annual audits and the programme of performance audits. Audit Scotland views 2020/21 as a transitional year, leading in future to audit timetables which were possible before COVID-19. The well-being of audit teams and the delivery of high-quality audits remain paramount. Maintaining a pragmatic and flexible approach will enable change at short notice as new issues emerge, or current risks change in significance. Where this impacts on annual audits, an addendum to this annual audit plan may be necessary.

## Adding value


**5.** We aim to add value to the East Renfrewshire 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 East Renfrewshire Council promote improved standards of governance, better management and decision making and more effective use of resources.


## Audit risks


**6.** Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified the following significant risks for East Renfrewshire Council. We have categorised these risks into financial statements risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#).

## Exhibit 1


### 2020/21 Significant audit risks

 Audit Risk	Source of assurance	Planned audit work
<b>Financial statements risks</b>		
<p><b>1 Material misstatement due to fraud caused by the management override of controls</b></p> <p>International Auditing Standards require that audits are planned to consider the risk of material misstatement in the financial statements caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of fraud due to the management override of controls.</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 and judgements.</li> <li>• Focused testing of accruals and prepayments.</li> <li>• Evaluation of significant transactions that are outside the scope of normal business.</li> </ul>
<p><b>2 New payroll system</b></p> <p>East Renfrewshire Council introduced a new payroll system during 2020/21. The payroll figures within the 2020/21 financial statements will be produced from the new system. There is an increased risk of misstatement in the figures and balances.</p>	<p>There is a dedicated project team of experienced staff in place who are working with the HR and Payroll teams to deliver the Core Systems programme. A fulltime MHR (Midland HR) consultant who is knowledgeable and experienced in the HR and Payroll function was brought in to support the project. The core team were further supported by MHR's team of consultants and project managers. An established MHR solution has been implemented with advice on set-up provided by MHR. The core team ensured that prior to transfer there were two parallel pay runs completed to appropriately reflect the correct payments to employees on all pay runs. The data transfer was performed by MHR and on the first pay runs after transfer there were a number of double checks run across both systems by the Payroll team effectively continuing a further parallel run after go-live.</p> <p>There was strong governance in place</p>	<ul style="list-style-type: none"> <li>• Review and testing of the controls in place within the new payroll system.</li> <li>• Confirm the completeness and accuracy of balances transferred from the old to the new payroll system.</li> </ul>

	Audit Risk	Source of assurance	Planned audit work
		<p>around this project with all milestone information being taken to the Core Systems Board for approval. Like any new financial system it brings its challenges and there are still some issues being identified and these are currently being addressed. MHR continues to work with the council to ensure that employee pay continues to be correct and a suite of reports will be set up to provide the required confidence.</p>	
3	<p><b>New council tax and housing benefit system</b></p> <p>East Renfrewshire Council introduced a new council tax and housing benefit system during 2020/21. As the new system will be used for the production of council tax income account figures and benefit awards in the 2020/21 financial statements, there is an increased risk of misstatement in the figures and balances.</p>	<p>There is a dedicated project team of experienced staff in place to deliver the Council Tax &amp; Benefits system. The Senior Revenues Manager, supported by the Operations Manager and a Project Accountant, have worked with the Project Team and the Chief Internal Auditor to ensure that the processes and procedures were understood and data cleansed/tested prior to go live. Daily system reconciliations have been carried out, along with the usual checks and analytical review of the Council Tax billing prior to bills being sent to customers in March 2021. The year-end procedures and reporting will provide further assurance and confidence that the output from the system is as expected.</p>	<ul style="list-style-type: none"> <li>• Review and testing of the controls in place within the new council tax and housing benefit system.</li> <li>• Confirm the completeness and accuracy of balances transferred from the old to the new system.</li> </ul>
4	<p><b>Estimates and judgements in the valuation of property, plant and equipment</b></p> <p>At 31 March 2020, East Renfrewshire Council held property, plant and equipment (PPE) with a net book value of £729 million. There is a significant degree of subjectivity in</p>	<p>Valuation of NonCurrent assets is undertaken by RICS members who are experienced Chartered Valuation Surveyors and Registered Valuers. Valuations are undertaken in accordance with RICS Red Book and</p>	<ul style="list-style-type: none"> <li>• Completion of 'review of the work of an expert' for the in-house valuer.</li> <li>• Review and assess the reasonableness of revaluations performed in year.</li> </ul>

 <b>Audit Risk</b>	<b>Source of assurance</b>	<b>Planned audit work</b>
<p>the valuation of these assets as they are based on specialist and management assumptions and estimates. Any changes in assumptions and estimates made by the valuer or management can result in material changes in value.</p> <p>The Council's valuer reported a material uncertainty, caused by Covid-19, in the valuation of land and buildings in 2019/20. We understand the latest guidance issued by the Royal Institute of Surveyors (RICS) suggests this will not be required in 2020/21, but recognise this position may change in the coming months.</p>	<p>CIPFA guidance and use valuation approaches adopted across the UK public sector. Where methodologies require comparable evidence these are also undertaken in accordance with RICS guidance. Peer reviews are also undertaken. The approach adopted reduces the degree of subjectivity and gives rise to smaller variances than would otherwise occur. In addition, following External Audit recommendations Accountancy services issue a formal instruction to Estates in advance of the year end setting out the requirements for finalising the annual accounts.</p>	<ul style="list-style-type: none"> <li>• An assessment of the underlying information the valuer is using to base valuations to ensure it is complete and accurate.</li> <li>• Examine evidence that the valuer is performing an annual impairment exercise.</li> <li>• Assess the Council's response to any changes in guidance issued by RICS.</li> </ul>
<p><b>5 Estimates and judgements in the valuation of the pension liability</b></p> <p>East Renfrewshire Council recognised a net liability of £87.594 million relating to its share of Strathclyde Pension Fund at 31 March 2020. There is a significant degree of subjectivity in the measurement and valuation of the pension fund liability. The valuation is based on specialist assumptions and estimates, and changes in these can result in material changes to the valuation.</p> <p>Additionally, the triennial valuation exercise will take place for the pension fund and impact on the 2020/21 annual accounts. This exercise is more detailed than the annual valuations and will also set employer contributions rates for the next three years.</p>	<p>Pension Liabilities are calculated by independent actuaries (Hymans Robertson) who provide calculations for all Councils contributing to Strathclyde Pension Fund. Reports providing their assumptions are available for review. The impact of the McCloud judgement will form part of the triennial valuation.</p>	<ul style="list-style-type: none"> <li>• Completion of 'review of the work of an expert' for the professional actuary.</li> <li>• Review of the estimates and assumptions made in calculating the pension fund liability</li> <li>• Assess the completeness and accuracy of information submitted by the council to Strathclyde Pension Fund to support the triennial valuation exercise.</li> </ul>
<p><b>6 Impact of additional funding due to Covid-19 on the financial statements</b></p> <p>The Covid-19 pandemic has resulted in significant financial pressures for the Council. The Scottish and UK governments have announced a range of additional funding streams for the Council to support frontline services and help the Council manage the financial pressures</p>	<p>Additional reporting to Council on the financial impact of COVID-19 commenced in June 2020.</p> <p>COVID related expenditure and income has been separately identified in the Council's records and further distinction has been made</p>	<ul style="list-style-type: none"> <li>• Assess how the council has processed and controlled the additional funding and associated expenditure,</li> <li>• Assess how the additional funding and associated expenditure impacts on the financial statements.</li> <li>• Review the Annual Report and Accounts and consider</li> </ul>



	Audit Risk	Source of assurance	Planned audit work
	caused by Covid-19. This has also resulted in an associated increase in expenditure, with some new expenditure streams. Total additional expenditure in 2020/21 is expected to be around £9 million.	<p>between funds where the Council acts as agent rather than as principal.</p> <p>Regular reporting to the Scottish Government and COSLA has been maintained on various COVID related pressures and funding streams.</p> <p>Treasury staff have overseen these movements to ensure that funds were available when required.</p>	how the additional funding and associated expenditure has been reported.

### Wider dimension risks

#### 7 Financial sustainability

Whilst the council are projecting a year end underspend on departmental activity for 2020/21 the financial challenges going forward remain significant.

The Council approved a one year 2021/22 budget in March 2021. This had a funding gap of £8.5 million. As part of the budget process, Council approved savings of £3.5m and use of reserves of £3 million.

In the short to medium term the council will continue to face a number of uncertainties and pressures that may have a financial impact on the council. There is a risk that the council is not able to deliver its strategic objectives.

The Council approves many Long-term financial Planning documents including the Capital Investment Strategy, Capital Programmes and the Financial Planning report all of which look forward by up to 10 years. All Departments contribute to these reports ensuring that any anticipated risk is minimised. In addition we publish indicative departmental totals for the coming three years in our Outcome Delivery Plan. The longer term impact of COVID-19, together with the impact of associated fiscal flexibilities will also be factored into the Council's financial forward planning.

- Assessment of the adequacy of the council's longer term financial management arrangements and plans reported to members.
- Monitor the council's financial position through budget monitoring reports presented to members and consider the delivery of in year savings programmes and the robustness of future savings plans and targets.

Source: Audit Scotland

7. As set out in ISA(UK) 240, there is a presumed risk of fraud in revenue recognition. There is a risk that income may be misstated resulting in a material misstatement in the financial statements. We have rebutted this presumed risk in 2020/21 because, while the possibility of fraud exists, we do not judge it to be significant risk due to the nature of East Renfrewshire Council's revenue streams

8. In line with Practise Note 10, as most public-sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. We have rebutted the risk of material misstatement caused by fraud in expenditure in 2020/21 as we do not consider this to be a significant risk for East Renfrewshire Council.

9. We have therefore not incorporated specific work into our audit plan in this area over and above our standard fraud procedures in respect of expenditure.

## Reporting arrangements

10. 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).

11. 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.

12. We will provide an independent auditor's report to East Renfrewshire council and Accounts Commission setting out our opinions on the annual accounts. We will provide the Accountable Officer, the Auditor General for Scotland and Accounts Commission with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

13. As outlined in paragraph 4, Audit Scotland views 2020/21 as being another challenging year. [Exhibit 2](#) outlines the target dates for our audit outputs, and we aim to issue the independent auditor's report and Annual Audit Report by the statutory deadline of 31 October 2021, now subsequently updated to 30 November 2021. However, we acknowledge this may not be achievable due to the ongoing pressures and uncertainties caused by Covid-19. We will maintain a pragmatic and flexible approach to the audit and will continue to have discussions with management around the progress of our work and any changes that may be required to target dates.

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## Exhibit 2 2020/21 Audit outputs

Audit Output	Target date	Committee Date
Annual Audit Plan	By 30 <sup>th</sup> April 2021	29 April 2021
Management Report (if needed)	TBA	TBA
Grant Claims certification	As required	N/A
Independent Auditor's Report	By 30 November 2021	TBC
Annual Audit Report	By 30 November 2021	TBC

Source: Audit Scotland

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## The audit of trusts registered as Scottish charities

14. Members of East Renfrewshire Council are sole trustees for 7 trusts, registered as Scottish charities, with total assets of some £0.114 million. The preparation and audit of financial statements of registered charities is regulated by the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006.

15. The Charities Accounts (Scotland) Regulations 2006 require charities to prepare annual accounts and require an accompanying auditor's report where any legislation requires an audit. The Local Government (Scotland) Act 1973 specifies the audit requirements for any trust fund where some or all members of a council are the sole trustees. Therefore, a full and separate audit and independent

auditor's report is required for each registered charity where officers of East Renfrewshire Council are sole trustees, irrespective of the size of the charity.

**16.** Based on our discussions with staff and initial planning work, we have identified a significant financial statements risk of material misstatement due to management override of controls for the trust and common good fund. Our planned workaround for this risk is the same as the planned work for risk one in Exhibit 1.

## Audit fee

**17.** The agreed audit fee for the 2020/21 audit of East Renfrewshire Council is £237,580 [2019/20 £231,500]. This includes a fee for the audit of the registered trusts. In determining the audit fee we have taken account of the risk exposure of East Renfrewshire 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 annual accounts, with a complete working papers package by 30 June 2021.

**18.** 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 Head of Accountancy (Chief Financial Officer)

**19.** 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.

**20.** The audit of the annual accounts does not relieve management or the Audit and Scrutiny Committee as those charged with governance, of their responsibilities.

### Appointed auditor

**21.** Our responsibilities as independent auditors are established by the 1973 Act for local government, and the Code of Audit Practice (including supplementary guidance) and guided by the Financial Reporting Council's Ethical Standard.

**22.** 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 and use of resources. In doing this, we aim to support improvement and accountability.

**23.** Our audit team membership has changed since last year. For 2020/21 we have appointed Louisa Yule as the Audit Manager for the East Renfrewshire Council audit. Louisa Yule will have overall control of the delivery and quality of the audit including audit engagement and ensuring the audit is properly planned, resourced and concluded within time.

# Audit scope and timing

## Annual accounts

**24.** The annual accounts, which include the financial statements, will be the foundation and source for most 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 East Renfrewshire Council and the 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 East Renfrewshire 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.

**25.** We will give an opinion on whether the financial statements:

- give a true and fair view in accordance with the applicable law and the 2020/21 Code of the state of affairs of the council and its group as at 31 March 2021 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 2020/21 Code
- 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.

## Statutory other information in the annual accounts

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

**27.** We also review the content of the annual report for consistency with the financial statements and with our knowledge. We report any uncorrected material misstatements in statutory other information.

## Materiality

**28.** 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



characteristics



responsibilities



principal activities



risks



governance arrangements

uncorrected misstatements, on the financial statements and in forming our opinions in the independent auditor's report.

29. The materiality values for East Renfrewshire Council are set out in [Exhibit 3](#).

### Exhibit 3 Materiality values



Materiality	Amount
<b>Planning materiality</b> – This is the figure we use to assess 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 2021 based on the latest budget for 2020/21.	£3.7 million
<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 60% of planning materiality.	£2.2 million
<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 calculated at 5% of planning materiality.	£180 thousand

Source: Audit Scotland

### Timetable

30. We have included a proposed annual accounts timetable at Exhibit 4 that has been discussed with management. However, as outlined in paragraph 13, the pressures caused by Covid-19 and the uncertainties presented as the situation develops could impact on the timings of our audit and lead to changes in the timetable as outlined below. As a result, the timetable will be kept under review and discussed with management and the finance team over the course of the audit.

### Exhibit 4 Annual accounts timetable

 Key stage	 Date
Consideration of unaudited annual report and accounts by those charged with governance	24 June 2021
Anticipated submission date of unaudited annual report and accounts with complete working papers package	By 30 June 2021
Date for final clearance meeting with Head of Accountancy (Chief Financial Officer)	TBA
Issue of Letter of Representation and proposed independent auditor's report	TBA
Agreement of audited unsigned annual report and accounts	TBA
Independent auditor's report signed	By 30 November 2021
Issue of Annual Audit Report to those charged with governance	By 30 November 2021
Date for signing of WGA return	TBC

## Internal audit

**31.** Internal audit is provided by East Renfrewshire Council staff overseen by the Chief Internal Auditor. As part of our planning process we carry out an annual assessment of the internal audit function to ensure that it operates in accordance with the main requirements of the Public Sector Internal Audit Standards (PSIAS). ISA (UK)610 requires an assessment on whether the work of the internal audit function can be used for the purposes of external audit. This includes:

- the extent to which the internal audit function's organisational status and relevant policies and procedures support the objectivity of the internal auditors
- the level of competence of the internal audit function
- whether the internal audit function applies a systematic and disciplined approach, including quality control.

**32.** We will report any significant findings to management and the Audit and Scrutiny Committee on a timely basis.

### Using the work of internal audit

**33.** International Auditing Standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to use the work of internal audit wherever possible to avoid duplication. We plan to consider the findings of the work of internal audit as part of our planning process to minimise duplication of effort and to ensure the total resource is used efficiently or effectively.

**34.** From our initial review of internal audit plans we plan to use the work of internal audit work in the areas listed below. In addition, we will also seek to use the work of Internal Audit in relation to balances transferred to the new council tax and benefits system.

- Financial ledger and budgetary control
- Application audit Integra
- Cash income and banking
- Creditors payments
- Debtors control

## Audit dimensions

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

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## Exhibit 5 Audit dimensions



Source: Code of Audit Practice

**36.** In the local government sector, the appointed auditor's annual conclusions on these four dimensions will help contribute to an overall assessment and assurance on best value.

**37.** Our standard audits are based on four audit dimensions that frame the wider scope of public sector audit requirements. These are: financial sustainability, financial management, governance and accountability and value for money.

### Financial sustainability

**38.** 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 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 there are arrangements in place to demonstrate the affordability and effectiveness of funding and investment decisions. Review of the options considered for the building on the new leisure centre within Eastwood Park.

### Financial management

**39.** 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 arrangements are in place to ensure systems of internal control are operating effectively
- the effectiveness of budgetary control systems in communicating accurate and timely financial performance can be demonstrated
- how East Renfrewshire Council has assured itself that its financial capacity and skills are appropriate
- whether there are appropriate and effective arrangements in place for the prevention and detection of fraud and corruption.



40. As part of our work this year we will broaden our consideration of these matters in light of the impact of the COVID-19 pandemic.

### Governance and transparency

41. 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 East Renfrewshire 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 East Renfrewshire Culture and Leisure Trust.
- 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.

42. As part of our work this year we will broaden our consideration of these matters in light of the impact of the COVID-19 pandemic.

### Value for money

43. Value for money refers to using resources effectively and continually improving services. We will review, conclude and report on whether East Renfrewshire Council can demonstrate :

- value for money in the use of resources
- 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

44. 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 new five-year audit appointments. Auditors started using the framework for their audit work from October 2016.

45. 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 ongoing annual audit work, and through discrete packages of work to look at specific issues. Conclusions and judgements on Best Value will be reported through:

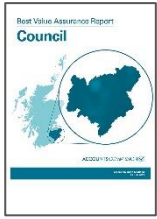
- The Annual Audit Report for each council that will provide a rounded picture of the council overall.
- An annual assurance and risks report that the Controller of Audit will provide to the Commission that will highlight issues from across all 32 council annual audit reports.
- A Best Value Assurance Report (BVAR) for each council that will be considered by the Accounts Commission at least once in a five-year period.

46. The councils on which a BVAR will be published during the fifth 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 2021.



## Exhibit 6

### 2020/21 Best Value Assurance Reports

	Aberdeen City Council	Falkirk Council
	South Ayrshire Council	
	East Dunbartonshire Council	

Source: Audit Scotland

**47.** The work planned in the East Renfrewshire Council this year will focus on follow up of recommendations made previously in the areas of financial planning and financial governance and resource management and equalities. The work will be integrated with work described in the audit dimension areas and will be reported in the annual audit report.

### Independence and objectivity

**48.** Auditors appointed by the Accounts Commission or Auditor General 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.

**49.** The engagement lead (i.e. appointed auditor) for East Renfrewshire Council is John Cornett, Audit Director. Auditing and ethical standards require the appointed auditor John Cornett 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 East Renfrewshire Council.

### Quality control

**50.** International Standard on Quality Control 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.

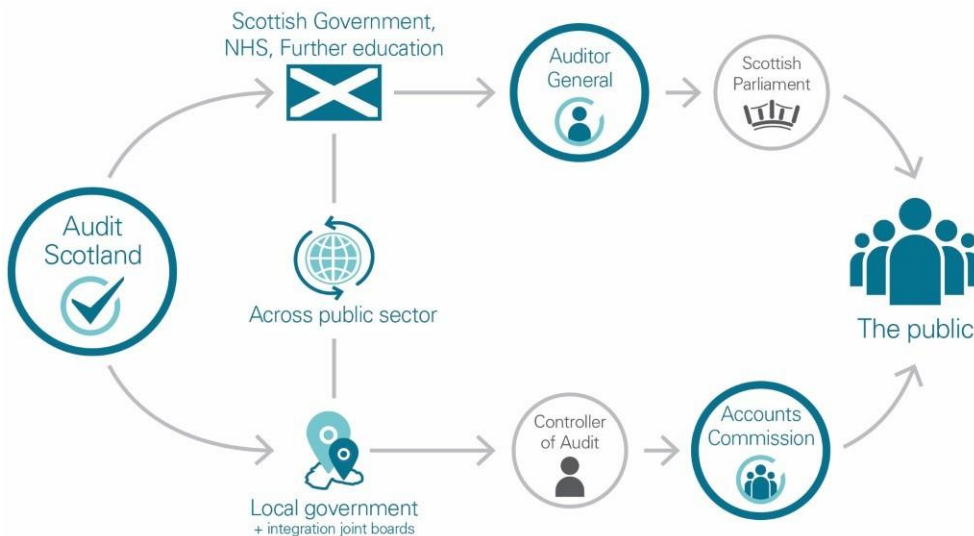
**51.** The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice (and supporting guidance) issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure 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.

**52.** 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.

# Appendix 1: 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.

# East Renfrewshire Council

## Annual Audit Plan 2020/21

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