



Perth & Kinross Council

Annual Audit Plan 2014/15

Prepared for Perth & Kinross Council

March 2015

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

Contents

Summary	2
Introduction	2
Summary of planned audit activity	2
Responsibilities	4
Responsibility of the appointed auditor	4
Responsibility of the Council and the Head of Finance	4
Responsibilities of the charities trustees	4
Format of the accounts	5
Audit Approach	6
Our approach	6
Materiality	7
Reporting arrangements	8
Quality control	10
Independence and objectivity	10
Audit issues and risks	11
Financial statements issues and risks	11
Wider dimension issues and risks	12
Local studies	13
Summary assurance plan	13
Fees and resources	14
Audit fee	14
Audit team	14
Appendix I: Planned audit outputs	16
Appendix II: Significant audit risks	17

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Summary

Introduction

1. Our audit is focused on the identification and assessment of the risks of material misstatement in Perth & Kinross Council's financial statements.
2. This report summarises the key challenges and risks facing the Council and sets out the audit work that we propose to undertake in 2014/15. Our plan reflects:
 - the risks and priorities facing the Council
 - current national risks that are relevant to local circumstances
 - the impact of changing international auditing and accounting standards
 - our responsibilities under the Code of Audit Practice as approved by the Auditor General for Scotland
 - issues brought forward from previous audit reports.
3. The Charities Accounts (Scotland) Regulations 2006 specifies the accounting and auditing rules for Scottish registered charities. Irrespective of the size of the 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. The Council has a large number of trusts and funds with charitable status and uses the connected charities provision which will result in one audit for charities in 2014/15. Accordingly, we will perform the audit of the Council's charitable trusts in parallel with the audit of the Council's financial statements.

Summary of planned audit activity

4. Our planned work in 2014/15 includes:
 - an audit of the financial statements and provision of an opinion on whether:
 - they give a true and fair view of the state of affairs of the Council as at 31 March 2015 and its income and expenditure for the year then ended
 - the accounts have been properly prepared in accordance with the Local Government (Scotland) Act 1973 and the 2014/15 Code of Practice on Local Authority Accounting in the United Kingdom (the Code)
 - an audit of the financial statements and provision of an opinion for the charitable trusts where the local authority is the sole trustee
 - reporting the findings of the shared risk assessment process in a Local Scrutiny Plan. This will summarise

identified scrutiny risks and/or any changes to the Local Area Network's (LAN's) assessment since last year.

- a review and assessment of the Council's governance and performance arrangements in a number of key areas including: internal controls; the adequacy of internal audit and Statutory Performance Indicators
- provision of an opinion on a number of grant claims and returns, including Whole of Government Accounts
- reporting of National Fraud Initiative arrangements and results
- provision of the annual report on the audit addressed to Perth & Kinross Council and the Controller of Audit.

Responsibilities

5. The audit of the financial statements does not relieve management or the Audit Committee, as the body charged with governance, of their responsibilities.

Responsibility of the appointed auditor

6. Our responsibilities, as independent auditor, are established by the Local Government (Scotland) Act 1973 and the Code of Audit Practice, and guided by the auditing profession's ethical guidance.
7. Auditors in the public sector give an independent opinion on the financial statements. We also 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. In doing this, we aim to support improvement and accountability.

Responsibility of the Council and the Head of Finance

8. It is the responsibility of the Council to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for those affairs;

and to manage its affairs to secure economic, efficient and effective use of resources and safeguard assets.

9. It is the responsibility of the Head of Finance as the appointed "proper officer", to prepare the financial statements in accordance with relevant legislation and the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). This means:
 - maintaining proper accounting records
 - preparing financial statements which give a true and fair view of the state of affairs of the Council as at 31 March 2015 and its expenditure and income for the year then ended.

Responsibilities of the charities trustees

10. The trustees are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).
11. The law applicable to charities in Scotland requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources of the charity for that period. The trustees are required to:
 - select suitable accounting policies and then apply them consistently

- observe the methods and principles of the Charities Statement of Recommended Practice
- make judgments and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

12. The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005, Charities Accounts (Scotland) Regulations 2006 (as amended) and the provisions of the charity's constitution. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Format of the accounts

13. The financial statements should be prepared in accordance with the Code which constitutes proper accounting practice. Perth & Kinross Council prepares a Whole of Government

Accounts consolidation pack annually for the Scottish Government. To enable summarisation common accounting principles and standard formats should be used.

Audit Approach

Our approach

14. Our audit approach is based on an understanding of the characteristics, responsibilities, principal activities, risks and governance arrangements of the Council. We also consider the key audit risks and challenges in the local government sector generally. This approach includes:
 - understanding the business of the Council and the risk exposure which could impact on the financial statements
 - assessing the key systems of internal control, and considering how risks 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 and addressing the risk of material misstatement in the financial statements
 - determining the nature, timing and extent of the audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements give a true and fair view.
15. We have also considered and documented the sources of assurance which will make best use of our resources and allow us to focus audit testing on higher risk areas during the audit of the financial statements. The main areas of assurance for the audit come from planned management action and reliance on systems of internal control. Management action being relied on for 2014/15 includes:
 - comprehensive closedown procedures for the financial statements accompanied by a timetable issued to all relevant staff
 - clear responsibilities for preparation of financial statements and the provision of supporting working papers
 - delivery of unaudited financial statements to agreed timescales with a comprehensive working papers package
 - completion of the internal audit programme for 2014/15.
16. 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 early assessment of the internal audit function.
17. Overall, we concluded that the internal audit service generally operates in accordance with Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards

and reporting procedures in place. An external quality assessment is planned for 2016/17 and in the interim the chief internal auditor has undertaken a self assessment to highlight compliance with PSIAS. Areas within internal audit's plan to address include:

- obtaining the external quality assessment
- improving documentation including an internal audit charter; updating the audit manual; evidence of integrity & objectivity (conflicts of interest); formalising professional development records
- lack of certain technical expertise (e.g. IT). Where technical expertise is required, this is externally sourced

18. We plan to place formal reliance on aspects of the work of internal audit in the following areas, to support our audit opinion on the financial statements:

- Housing benefits
- General ledger

19. In respect of our wider governance and performance audit work we also plan to review the findings and consider other areas of internal audit work including:

- Business continuity
- Data protection
- Management of contracts
- Capital projects

- IT change management
- governance of health and social care integration arrangements (this will be undertaken in conjunction with NHS Tayside's internal auditors).

Materiality

20. International Standard on Auditing 320 provides guidance on the concept of materiality. We consider materiality and its relationship to audit risk when planning the nature, timing and extent of our audit and conducting our audit procedures. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

21. Based on our knowledge and understanding of Perth & Kinross Council we have set our planning materiality at 1% of the gross expenditure in the 2013/14 financial statements. For 2014/15 planning materiality is £4.09 million.

22. We set a lower level, known as performance materiality, when defining our audit procedures. This level depends on professional judgement and is informed by a number of factors including:

- extent of estimation and judgement within the financial statements
- nature and extent of prior year misstatements

- extent of audit testing coverage.

23. For 2014/15 performance materiality has been set at £2 million. We will report, to those charged with governance, all misstatements greater than £0.1 million.
24. For the audit of the Council's charitable trusts separate materiality has been set at £237 (1% of gross expenditure). Due to the size and nature of the investments held a separate materiality is appropriate for this area and has been set at £17,700 (1% of gross assets).
25. In addition, an inaccuracy which would not normally be regarded as material in terms of monetary value may be important for other reasons (for example the failure to achieve a statutory requirement, or an item contrary to law). In the event of such an item arising, its materiality has to be viewed in a narrower context; such matters would normally fall to be covered in an explanatory paragraph in the independent auditor's report.

Reporting arrangements

26. The Local Authority Accounts (Scotland) Regulations 2014 require that the unaudited annual accounts are submitted to the appointed external auditor no later than 30 June each year. The Audit Committee is required to consider the unaudited annual accounts at a meeting by 31 August.

27. Local authorities must publish the unaudited accounts of the Council and charitable trusts on their websites and give public notice of the inspection period.
28. The 2014 regulations require the local authority (or a committee whose remit includes audit or governance) to meet by 30 September to consider whether to approve the audited annual accounts for signature. Immediately after approval, the annual accounts require to be signed and dated by specified members and officers and then provided to the auditor. The Controller of Audit requires audit completion and issue of an independent auditor's report (opinion) by 30 September each year.
29. The authority is required to publish on its website its signed audited annual accounts, and the audit certificate, by 31 October. The local authority is also required to publish a copy of the accounts of its subsidiaries. The annual audit report is required to be published on the website by 31 December.
30. An agreed timetable is included at Exhibit 1 below which takes account of submission requirements and planned Audit Committee dates:

Exhibit 1: Financial statements audit timetable

Key stage	Date
Testing and review of internal control systems and transactions	March/May 2015
Meetings with officers to clarify expectations of working papers and financial system reports	March 2015
Planned committee consideration of unaudited financial statements	1 July 2015
Submission of unaudited Council financial statements with working papers package	By 30 June 2015
Submission of unaudited charitable trust financial statements with working papers package	By 30 June 2015
Latest date for submission of unaudited whole of government accounts to external audit	TBC
Progress meetings with lead officers on emerging issues	As required
Latest date for final clearance meeting with Head of Finance	4 Sept 2015
Agreement of unsigned financial statements for Audit Committee agenda, and issue of combined ISA 260 / draft annual audit report to those charged with governance.	9 Sept 2015

Key stage	Date
Audit Committee date	16 Sept 2015
Independent auditors report signed	By 30 Sept 2015
Latest date for signing of WGA return	TBC

31. 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 responsible head of service and relevant officers to confirm factual accuracy. Responses to draft reports are expected within three weeks of submission. A copy of all final agreed reports will be sent to the Chief Executive, Head of Finance, relevant senior manager, internal audit and Audit Scotland's Performance Audit and Best Value Group.
32. We will provide an independent auditor's report to Perth & Kinross Council and the Accounts Commission that the audit of the financial statements has been completed in accordance with applicable statutory requirements. As part of streamlining our audit approach, this year the Annual Audit Report will be combined with the ISA 260 report. As a result, the Annual Audit Report will be issued by 30 September which is one month earlier than previous years.
33. All annual audit reports produced are published on Audit Scotland's website: (www.audit-scotland.gov.uk). Planned outputs for 2014/15 are summarised at Appendix I.

Quality control

34. 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. 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. To ensure that we achieve the required quality standards, Audit Scotland conducts peer reviews and internal quality reviews and has been subject to a programme of external reviews by the Institute of Chartered Accountants of Scotland (ICAS).
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 do, however, welcome feedback at any time and this may be directed to the engagement lead, Stephen Boyle.

Independence and objectivity

36. Auditors appointed by the Accounts Commission must comply with the Code of Audit Practice. When auditing the financial

statements, auditors must also comply with professional standards issued by the Auditing Practices Board (APB) 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.

37. 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 Perth & Kinross Council.

Audit issues and risks

Financial statements issues and risks

38. Based on our discussions with staff, attendance at committee meetings and a review of supporting information, we have identified the following main financial statements risk areas for your organisation.
39. **The Local Authority Accounts (Scotland) Regulations 2014:** The regulations have introduced some changes to the contents of the financial statements. These include for the first time the inclusion of a management commentary. The Code encourages authorities to take into account the relevant provisions of the Government financial reporting manual (FReM) in respect of management commentaries. We will liaise with management to ensure the financial statements are prepared in accordance with proper accounting practices and recognised guidance.
40. **Internal controls:** A robust governance framework is essential in providing an appropriate environment for the officers to operate efficiently and effectively. The Council are reviewing the process by which members receive assurance

that the internal control environment is operating effectively during the year.

41. Internal financial controls forms part of this framework and help reduce the risk of material error in the financial statements. Auditing standards (ISA 240 *The auditor's responsibility to consider fraud in an audit of financial statements*) requires auditors to presume a risk of fraud where income streams are significant. Perth & Kinross Council receives a significant amount of funding from the Scottish Government, however income is received from other sources, including council tax, housing rents etc.
42. We will review the revised governance framework in operation within the Council and test the key financial controls (including significant income streams) to provide assurance that the financial statements are not materially misstated.
43. **Management override of controls:** Auditing standards (ISA 240) also highlights that management has the ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. The ability to override these controls exists in all entities and therefore represents a financial statements risk due to fraud. We will undertake focused audit of these areas within the Council including testing of: journal entries; accounting estimates; and significant transactions outside the course of normal business.

Wider dimension issues and risks

44. As part of our wider responsibilities under Audit Scotland's Code of Audit Practice, over and above the risks relating to the financial statements we are required to consider wider dimension audit issues and risks. We have identified the following main areas of risk:
45. **Use of resources** - The Council continues to show a good understanding of the financial challenges it faces, and has been proactive in preparing financial plans to manage budget reductions. It has a clear understanding of its costs and the impact efficiency savings have on service delivery. The reserves strategy and medium term financial plan allow the Council to mitigate the risks associated with the current financial climate and service pressures.
46. As the Council aims to support the local economy and maintain service provision, it continues to face a reduction in resources. The Council's transformation programme *Securing our Future 2010-2015* has been addressing fundamental issues such as the basis for delivering services (statutory or discretionary), the mode of delivery (provider or enabler) and the resources required over the last few years. Current proposals are that the transformation programme will be reviewed with an updated version considered by the Council at its meeting in July 2015.
47. The Council estimate that savings of £53 million will be required in the next five years. To minimise the impact of these reductions in resources on the performance of services, the transformation programme requires to be supported by relevant strategies. As well as revising its transformation programme the Council is continuing to review and update its current strategies.
48. We will continue to monitor the Council's approach to financial management and efficiencies and ensure the Council monitor the potential impact this has on service performance.
49. **Health & social care integration:** The Public Bodies (Joint Working) (Scotland) Act, 2014 sets out a framework for the integration of services. The Act requires Local Authorities and NHS Boards to establish an Integration Authority for the governance, planning and resourcing of social health and care services in their area. The finalised integration scheme is due to be submitted to Scottish Ministers by the end of March 2015.
50. The Council has made significant progress in implementing the required changes to ensure that integration is delivered within the required timescales and that the arrangements are functional and fit for purpose.
51. The Council will have to continue to work closely with NHS Tayside to ensure that the integration arrangements are in place by the Scottish Government deadline of 1 April 2016. The challenge will be evidencing the success of integration,

and its contribution to quality services whilst making the required efficiency savings. We will monitor the Council's progress towards health and social care integration as part of the 2014/15 audit.

Local studies

52. Following correspondence received in 2013/14 relating to a potential loss on the part of a contractor the Council included a contingent liability in its accounts. This correspondence related to the Roads Maintenance Partnership. In line with Audit Scotland's strategy to support improvement through the audit process we will review the contract management arrangements at the partnership. The scope of this work is currently being developed.

Summary assurance plan

53. Within these identified risk areas there is a range of more specific risks and these are summarised at Appendix II. In most cases, actions to manage these risks are either planned or already underway within the organisation. Details of the sources of assurance that we have received for each of these risks and any audit work we plan to undertake is also set out in Appendix II. In the period prior to the submission of the unaudited financial statements, we will liaise with senior officers on any new or emerging issues.

Fees and resources

Audit fee

54. Over the past four years on a national basis, Audit Scotland has reduced audit fees by 23.5% in real terms, exceeding our 20% target. Due to further refinement of our audit approach we have been able to restrict the increase in audit fees for 2014/15 to 1% which, in real terms, represents a 0.6% reduction at 2014 price levels.
55. In determining the audit fee we have taken account of the risk exposure of Perth & Kinross Council, the management assurances in place, and the level of reliance we plan to take from the work of internal audit. We have assumed receipt of a complete set of unaudited financial statements and comprehensive working papers package by 30 June 2015.
56. The agreed audit fee for the 2014/15 audit of Perth & Kinross Council is £283,000 (2013/14: £280,570). This includes £1,500 (2013/14: £1,500) in respect of the audit of the charitable trusts. Our fee covers:
- the costs of planning, delivering and reporting the annual audit including auditor's attendance at committees

- your organisation's allocation of the cost of national performance audits and statutory reports by the Accounts Commission
- a contribution towards functions that support the local audit process (e.g. technical support and coordination of the National Fraud Initiative), support costs and auditors' travel and subsistence expenses.

57. 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.

Audit team

58. Stephen Boyle, Assistant Director, Audit Services is your appointed auditor. The local audit team will be led by Pearl Tate who will be responsible for day to day management of the audit and will be your primary contact. Details of the experience and skills of our team are provided in Exhibit 2. The core team will call on other specialist and support staff as necessary.

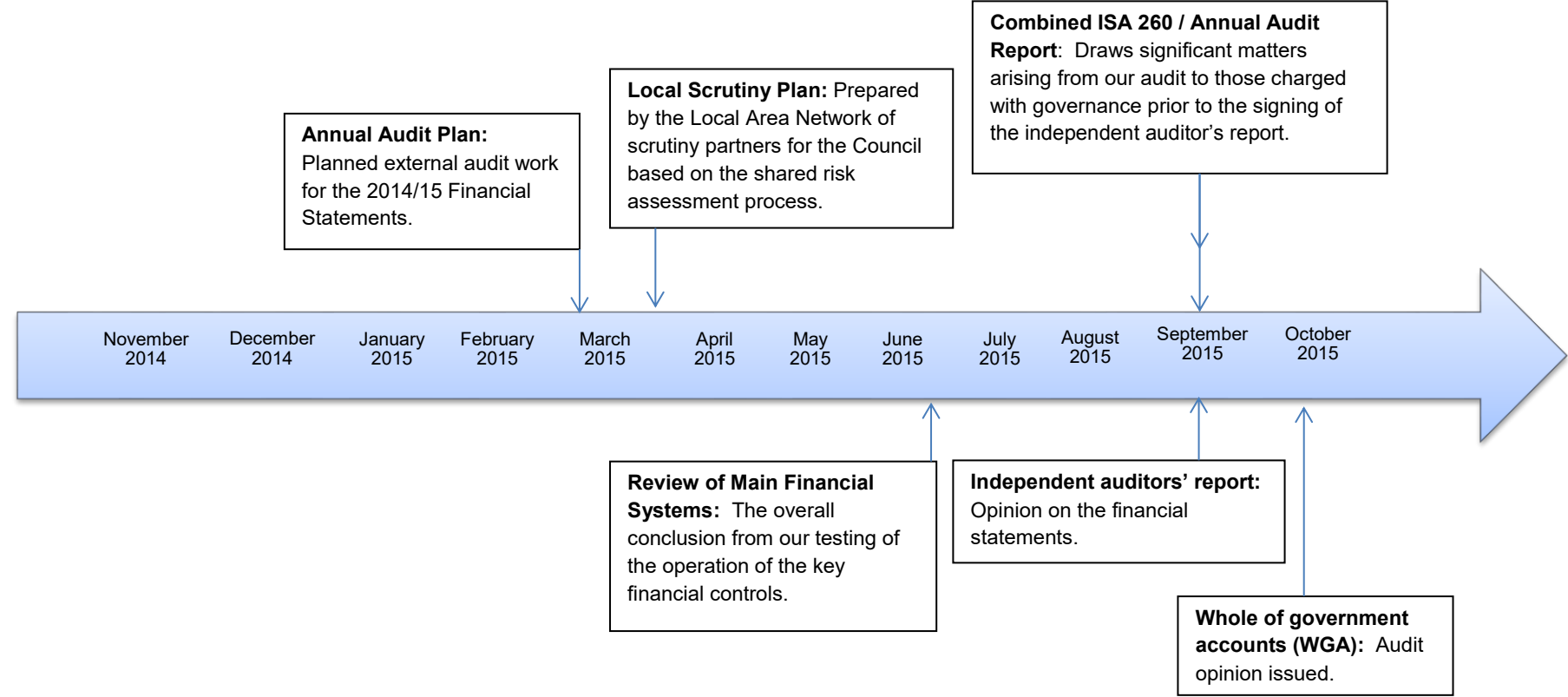
Exhibit 2: Audit team

Name	Experience
Stephen Boyle BAcc CPFA Assistant Director	Stephen has 18 years experience of public sector finance. He trained as an accountant with a Big 4 firm, before joining Audit Scotland in 2002. He later worked as Head of Finance and Corporate Services for Cube Housing Association, before spending three years with Glasgow Housing Association as Assistant Director of Finance. He re-joined Audit Scotland in June 2013.
Pearl Tate BAcc (Hons), CPFA Senior Audit Manager	Pearl began her career as a finance trainee in the health sector and was then an internal auditor in health before joining Audit Scotland in 1996. As an external auditor she has covered a wide and varied portfolio of audits across the whole public sector and currently has a mixed portfolio of health and local government.
Neil O'Connor CA Senior Auditor	Neil trained as an auditor with Carters Chartered Accountants before joining Audit Scotland in April 1997. He has eighteen years experience auditing local government and the health sector.

Name	Experience
Chris Ragg Auditor	Chris joined Audit Scotland as an ICAS professional trainee in 2011. He has recently moved from a portfolio of central government audits to local government.
Sean Dalziell Auditor (Professional Trainee)	Sean joined Audit Scotland as an ICAS professional trainee in 2014 having recently completed an MA (Hons) degree in Business Studies & Accountancy.

Appendix I: Planned audit outputs

The diagram below shows the key outputs planned for Perth & Kinross Council in 2014/15.



Appendix II: Significant audit risks

We undertake a risk-based audit whereby we focus on those areas where we have identified a risk of material misstatement in the accounts. This section shows how our audit approach focuses on the risks we have identified through our planning procedures. ISA 315 *Identifying and assessing the risks of material misstatement through understanding the entity and its environment* defines a significant risk as “an identified and assessed risk of material misstatement that, in the auditor’s judgement, requires special audit consideration.” In this section we identify a range of risks facing Perth & Kinross Council, the related source of assurance received and the audit work we propose to undertake to secure additional assurance. The management of risk is the responsibility of the council and its officers, with the auditor’s role being to review the arrangements put in place by management. Planned audit work, therefore, will not necessarily address all residual risks.

Audit Risk	Source of assurance	Assurance procedure
<i>Audit risk of material misstatement in financial statements</i>		
The Local Authority Accounts (Scotland) Regulations 2014 The regulations introduce new requirements for inclusion in the financial statements of a management commentary prepared in accordance with proper accounting practices and recognised guidance. <i>Risk: Appropriate disclosures are not detailed in the financial statements.</i>	<ul style="list-style-type: none"> Officers are aware of the requirements of the regulations with a report considered by Council in February. Officers will work with auditors to ensure all relevant information is prepared timeously to ensure that deadlines are met. 	<ul style="list-style-type: none"> Ensure the management commentary is prepared in accordance with proper accounting practice and relevant guidance.

Audit Risk	Source of assurance	Assurance procedure
<p>Control environment</p> <p>The Council's processes to review its governance framework include a number of self assessments to inform the Annual Governance Statement. In 2013/14 this process was not followed and the Council has agreed to revise its processes for 2014/15.</p> <p><i>Risk: The governance framework is not operating effectively to provide adequate assurance to members.</i></p>	<ul style="list-style-type: none"> Annual Governance Statement to be approved by the Scrutiny Committee in June 2015 	<ul style="list-style-type: none"> Review the Annual Governance Statement and ensure the processes to arrive at the statement were adequate

Audit Risk	Source of assurance	Assurance procedure
<p>Internal financial controls</p> <p>A robust system of internal financial controls is essential to reduce the risk of material error in the financial statements. In times of economic challenge, the Council's financial systems may be exposed to increased risk of fraud or manipulation. For example:</p> <p>Auditing standards (ISA 240 <i>The auditor's responsibility to consider fraud in an audit of financial statements</i>) requires auditors to presume a risk of fraud where income streams are significant. The Council receive a significant amount of income in addition to Scottish Government funding (approx. £166 million). The extent and complexity of these income streams introduces an increased risk of fraud.</p> <p><i>Risk: the Council's financial position is exposed to error. Fraud and manipulation may not be detected.</i></p>	<ul style="list-style-type: none"> • Regular budget monitoring and reporting. • Robust internal controls in financial systems to mitigate risks of error or manipulation. • Internal audit coverage of internal controls. • Participation in the National Fraud Initiative. • Annual Governance Statement and Local Code of Corporate Governance. 	<ul style="list-style-type: none"> • Testing of key internal financial controls. • Review of internal audits work in specific areas (e.g. benefits and general ledger). • Targeted testing of risk areas and report to members as appropriate. • Review the Council's involvement in the National Fraud Initiative.

Audit Risk	Source of assurance	Assurance procedure
<p>Management override of controls</p> <p>As stated in ISA 240, management has the ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p><i>Risk: The accounts are material misstated.</i></p>	<ul style="list-style-type: none"> • Submission of a set of compliant Annual Accounts. 	<ul style="list-style-type: none"> • Detailed testing of journal entries • Review of accounting estimates for bias • Evaluating significant transactions that are outside the normal course of business.
<p>Charities governance documentation</p> <p>The governance documentation for several trusts could not be located as a consequence of the age of the trust, in some cases dating back over 100 years. Therefore in 2013/14 we reported that we were unable to verify whether:</p> <ul style="list-style-type: none"> • the classification of these funds between restricted, unrestricted and endowment funds was accurate • spend in these areas was in line with the original stated purpose for these individual trusts. <p><i>Risk: The funds are not accounted for accurately or used for the appropriate purpose.</i></p>	<ul style="list-style-type: none"> • All funds are treated as endowments and where there is an absence of governance documentation the council rely on custom and practice to inform any decisions by the trustees in respect of the trusts' expenditure and use of assets. • The Council is continuing to amalgamate smaller charities with a view to streamlining the administrative requirements and establishing clearer governance arrangements. 	<ul style="list-style-type: none"> • Audit of the charities financial statements to ensure compliance with requirements. • On-going monitoring and include in report to members as appropriate.

Audit Risk	Source of assurance	Assurance procedure
<i>Audit risk from wider responsibilities under Audit Scotland's Code of Audit Practice</i>		
<p>Financial management</p> <p>Along with all other public bodies in Scotland, the Council is facing the prospect of having to make significant budget savings. At the same time as the Council aims to support the local economy and maintain service provision, it is likely to face a reduction in resources.</p> <p>Risk: <i>the Council may not be able to secure the efficiencies required without impacting on services.</i></p>	<ul style="list-style-type: none"> • The Council's transformation programme Securing the Future Toward 2015 and Beyond sets out the path which will allow it to achieve the required modernisation and efficiencies to meet the financial challenges and future service demand. It is proposed that the transformation programme will be updated by the Council in July 2015. • The medium term financial plan is updated on an on-going basis and used to inform the annual budget setting process. • The Council Workforce Plan 2013-18 is to be used to inform a review of the actions in support of the objectives set out in 'Our People Strategy (2010-2015)', and to support the Council's transformation approach. There is an Annual workforce report to the Council each December. • IT & digital strategy to be agreed. • Budget monitoring reports are presented to members on a regular basis. 	<ul style="list-style-type: none"> • On-going monitoring and include in report to members as appropriate.

Audit Risk	Source of assurance	Assurance procedure
<p>Performance management</p> <p>The Council's performance indicates a relatively positive picture overall with only a few areas of performance declining. However, effectively managing performance will remain a key challenge as financial pressures increase. The Council will need to use its performance information to understand and manage the impact of spending decisions.</p> <p><i>Risk: the Council's resources are not directed at priority areas and outcomes are not demonstrated.</i></p>	<ul style="list-style-type: none"> • A robust approach to performance management is in place and performance indicators which cover the wider community planning partnership area are regularly monitored. 	<ul style="list-style-type: none"> • Review of processes to collate statutory performance indicators • On-going monitoring of the performance management framework and report to members as appropriate.

Audit Risk	Source of assurance	Assurance procedure
<p>Health & social care integration</p> <p>The Public Bodies (Joint Working) (Scotland) Act, 2014 sets out a framework for the integration of services. The Act requires Local Authorities and NHS Boards to establish an Integration Authority for the governance, planning and resourcing of social health and care services in their area. The finalised integration scheme is due to be submitted to Scottish Ministers by the end of March 2015. The council will have to work closely with NHS Tayside to ensure that the integration arrangements are in place by the Scottish Government deadline of 1 April 2016. The challenge for the Council will be evidencing the success of integration, and its contribution to quality services whilst making the required efficiency savings.</p> <p><i>Risk: An effective Integration Joint Board is not established in line with requirements. Also that the integration does not deliver the efficiencies expected with an adverse impact on the quality of service delivered.</i></p>	<ul style="list-style-type: none"> • The Council in December 2014 agreed the Consultation Draft Integration Scheme for Perth and Kinross. The Council confirmed that four Elected Members of the Council should be nominated as Members of the Integration Joint Board. • Delegated authority has been given to the Chief Executive to: <ul style="list-style-type: none"> ○ agree in consultation with the Chief Executive of NHS Tayside, the arrangements for the appointment of the Chairperson and Vice-Chairperson of the Integration Joint Board and the terms of office for these appointments. ○ make appropriate joint arrangements with NHS Tayside to recruit a Chief Officer for the Integration Joint Board in accordance with agreed policies and procedures. • A finalised Scheme will be submitted to the Council for its approval in March 2015 following consultation with relevant stakeholders. • Joint internal audit review with NHS Tayside ensuring effective arrangements are in place (financial, governance and performance). 	<ul style="list-style-type: none"> • On-going monitoring and include in report to members as appropriate.

Audit Risk	Source of assurance	Assurance procedure
<p>Tayside Contracts</p> <p>The Council has an interest in Tayside Contracts Joint Committee (TCJC) and this body is included in the group accounts. In 2012/13 the accounting treatment was agreed and it was noted that the minute of agreement would be revisited to ensure it reflected the actual operation and governance of TCJC. As at February 2015 the minute of agreement has still to be updated.</p> <p><i>Risk: the minute of agreement does not reflect the actual operation of TCJC.</i></p>	<ul style="list-style-type: none"> Legal representatives from the three Councils are close to concluding a revised legal agreement which will reflect operating practice. 	<ul style="list-style-type: none"> On-going monitoring and include in report to members as appropriate.

Audit Risk	Source of assurance	Assurance procedure
<p>National Fraud Initiative</p> <p>The Council, following legal advice, did not submit the electoral register as part of the National Fraud Initiative submission. Audit Scotland's national report on NFI, noted that the Council was one of only two councils in the UK that did not submit the electoral register for this purpose.</p> <p>The Council has employed a contractor to undertake a data matching exercise for single person discounts using the register and other relevant data (including credit checks) to identify and investigate potential frauds. The outcome of this data matching exercise has yet to be reported.</p> <p><i>Risk: The Council has not formally been advised of the outcome of the data matching exercise and is unable to assess whether this exercise has provided adequate assurances for detecting fraud in this area.</i></p>	<ul style="list-style-type: none"> • Report on the outcome from the data matching exercise. • Continued involvement in the National Fraud Initiative. 	<ul style="list-style-type: none"> • Review the Council's involvement in the National Fraud Initiative and results of data matching exercise undertaken. • On-going monitoring and include in report to members as appropriate.

