

# ***South Lanarkshire Council***

External Audit Plan 2010/11

Overview

Government and Public Sector Assurance

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# ***Introduction***

- Our principal objective is to perform an audit in accordance with the Audit Scotland Code of Practice (“the Code”).
- The Code sets out the basic principles that govern our audit work and outlines the need to recognise the links between different parts of the audit, including the need for auditors to work in partnership with each other and with Audit Scotland.
- It is the responsibility of Council Management to prepare the financial statements in compliance with statutory and other relevant requirements.
- We (external audit) are responsible for providing a true and fair opinion on the financial statements.

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## ***Overview of the PwC Audit Approach***

- Our external audit approach is a risk based audit approach, designed to meet the requirements of International Standards on Auditing (ISAs) and the Audit Scotland Code of Practice.
- Our external controls work is driven by the financial statements and focuses on the key financial controls in operation at the Council.
- The primary responsibility for the prevention and detection of fraud rests with those charged with the governance of the Council and with management. We make enquires of management and understand management's process for identifying and responding to the risks of fraud.

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## ***Overview of the PwC Audit Approach (Continued)***

- No surprises audit - By interacting with your wider management team throughout the year we will work hard to make sure we never have to deliver a surprise at the last minute.
- Our external audit of the financial statements is undertaken in accordance with materiality – an expression of the relative significance or importance of a particular matter in accordance with the financial statements. Our base calculation of materiality is based on expenditure, in accordance with Accounting Standards Guidance.
- We will regularly report to Management and the Risk and Audit Scrutiny Forum during the year and as part of our planning process we have established a timetable for reporting throughout the year which has been built into the Forum's agenda setting arrangements.

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## ***Governance and Financial Statements***

- Our external audit work for 2010/11 is governed by Audit Scotland Reporting Requirements, set out in the Audit Scotland Local Planning Guidance.
- Draft guidance was discussed at the Local Authority Auditors sector meeting and will be finalised during December 2010. Anticipated areas of work include:
  - Continued involvement in the Shared Risk Assessment for the Council;
  - National Performance Study Reports – Monitoring the Council’s response to national studies;
  - Role in relation to Statutory Performance Indicators;
  - Continued role in respect of the National Fraud Initiative;
  - External Audit of the Financial Statements; and
  - Audit of grant claims in accordance with Audit Scotland Guidance, including the Housing Benefit Subsidy Claim.

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## ***Clarity International Standards on Auditing (ISAs)***

- The Auditing Practices Board (APB) has issued 33 clarity ISAs, effective for audits of financial statements for periods ending on or after 15 December 2010.
- A number of the standards have been completely revised and new requirements have been introduced. Key areas of change are around management estimates and related party transactions. These changes will be built into our external audit plan as will require additional testing at year-end.

## ***International Financial Reporting Standards (IFRS)***

- The 2010/11 Code of Practice will complete the IFRS transition process and applies to local authority accounts from 1 April 2010.
- As well as changes to the format of primary financial statements, there will be significantly increased levels of disclosure in the notes to the accounts.

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## ***Significant Audit Risks and Business Issues***

- Our external audit work will continue to focus on significant audit risks identified as part of our planning and ongoing external audit work.
- As part of our wider risk based audit approach we will also consider the wider business issues facing the Council, identified within Audit Scotland's Priorities and Risk Framework and/or through discussion with Council Officers.
- We will meet with Council Officers during our planning audit work (January/February 2011) to discuss the risks facing the Council and these will be summarised in our 2010/11 External Audit Plan.

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## ***Audit Reporting and Timetable***

- We will communicate with Management and the Risk and Audit Scrutiny Forum during the course of the year.
- Set out below is an indication of our key reports for 2010/11:
  - External Audit Plan 2010/11 March 2011
  - Follow Up of 2009/10 Recommendations March 2011
  - Internal Controls Work including NFI April 2011
  - Annual Opinion on the Financial Statements September 2011
  - Annual Report to Members and Controller of Audit October 2011





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