

**To:** Audit, Risk and Scrutiny Board

**On:** 23 January 2023

---

**Report by:** Director of Finance and Resources

---

**Heading:** Azets Audit Strategy 2022/23

---

1. **Summary**

1.1 Azets is now the Council's external auditor, as a new five-year external audit appointment commences in 2022/23. In advance of the formal Audit Plan being presented to the March meeting of the Audit, Risk and Scrutiny Board, Azets now present a high-level audit strategy report, as attached.

1.2 The Council's new Audit Lead is Gary Devlin, and the Audit Manager is Adrian Kolodziej, both of whom will attend this meeting to present the strategy.

2. **Recommendations**

2.1 Members are requested to note the attached Audit Strategy report from Azets.

---

**Implications of the Report**

1. **Financial** – Annual audit fees are set by Audit Scotland and for 2022/23 this has been intimated as £415,650; a 12.5% increase on the previous year. This uplift is consistent across all councils in Scotland.

2. **HR & Organisational Development** – none arising directly from this report.

3. **Community/Council Planning** – none arising directly from this report.

4. **Legal** – The Council is required by statute to prepare a set of annual accounts that are subject to external audit by 30 September each year.
  5. **Property/Assets** – none arising directly from this report.
  6. **Information Technology** – none arising directly from this report.
  7. **Equality & Human Rights** – none arising directly from this report.
  8. **Health & Safety** – none arising directly from this report.
  9. **Procurement** – none arising directly from this report.
  10. **Risk** – none arising directly from this report.
  11. **Privacy Impact** – none arising directly from this report.
  12. **Cosla Policy Position** – none arising directly from this report.
  13. **Climate Risk** – none arising directly from this report.
- 

**Author:** Christine McCourt, Head of Finance and Business Services

# Renfrewshire Council

## External Audit Strategy 2022/23

Azets

January 2023



# Table of Contents

Introduction	3
Your Azets audit team	4
Our responsibilities	7
Audit strategy	10

# Introduction

Azets have been appointed by Audit Scotland as the external auditor to Renfrewshire Council for the period 2022/23 to 2026/27.

This document provides an introduction to our audit team and sets out our audit strategy for 2022/23.

We expect that our audit will have a similar underlying approach to that of your previous external auditor, Audit Scotland, although there are some changes to the Code of Audit Practice and auditing standards that come into effect for the first time in 2022/23. These are reflected in this document.

We firmly believe that the best and most effective audits are underpinned by strong, professional working relationships with key client contacts right from the outset and this will be our key aim over the duration of our appointment. The benefits of our audit approach include:

- Full compliance with the Audit Scotland Code of Audit Practice
- Sector expertise from dedicated public sector external audit specialists
- Proactive, open and constructive planning and communication
- A risk-based audit approach tailored to Renfrewshire Council
- Clear and concise reporting
- Proactive liaison with internal audit
- Responsiveness and independence of thought.

## Adding value

All of our clients quite rightly demand of us a positive contribution to meeting their ever-changing business needs. We aim to add value by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way we aim to help you promote improved standards of governance, better management and decision making and more effective use of public money.

Any comments you may have on the service we provide would be greatly appreciated.

# Your Azets audit team

The Renfrewshire Council external audit team will be led by Gary Devlin and managed by Adrian Kolodziej. We will draw upon the expertise of our wider public sector management team during the course of our audit appointment.

---

## Gary Devlin: Engagement Lead

[gary.devlin@azets.co.uk](mailto:gary.devlin@azets.co.uk)

Gary has over 20 years' experience in undertaking audit work across a wide range of public sector organisations. Gary will have overall responsibility for the delivery of the audit.



---

## Adrian Kolodziej: Engagement Manager

[adrian.kolodziej@azets.co.uk](mailto:adrian.kolodziej@azets.co.uk)

Adrian will manage the delivery of the onsite work and work alongside Gary to deliver the audit engagement. Adrian has over 14 years of public sector experience performing the external audits of local authorities, central government and further education bodies.



## Our experience

Our portfolio of new and previous Audit Scotland appointments is set out below. We have also included selected clients from across our wider public sector client base.

### New Audit Scotland appointments

Local Government	NHS	Further Education
Clydeplan	NHS Fife	Ayrshire College
Fife Council	Public Health Scotland	Borders College
Fife Integration Joint Board	Scottish Ambulance Service	Dumfries and Galloway College
Fife Pension Fund		West College Scotland
Lothian Pension Fund		
Renfrewshire Council		
Renfrewshire Valuation Joint Board		
Scotland Excel		

## Previous Audit Scotland appointments

Local Government	NHS	Further Education	Central Government
City of Edinburgh Council	NHS Lothian	City of Glasgow College	Disclosure Scotland
Lothian Pension Fund	Mental Welfare Commission for Scotland	Glasgow Kelvin College	Scottish Housing Regulator
Edinburgh Integration Joint Board	NHS 24	Glasgow Colleges Regional Board	Police Investigation and Review Commissioner
Lothian Valuation Joint Board	National Waiting Times Centre Board	Glasgow Clyde College	Scottish Courts Service
SESTRAN	The State Hospitals Board for Scotland	Dumfries and Galloway College	Scottish Prison Service
Strathclyde Partnership for Transport		Borders College	Scottish Road Works Commissioner
Strathclyde Concessionary Travel Scheme Joint Committee			



# Our responsibilities

## The Auditor General and Audit Scotland

The Auditor General for Scotland is a Crown appointment and independent of the Scottish Government and Parliament. The Accounts Commission is responsible for appointing independent auditors to audit the accounts of the local government bodies.

Audit Scotland is an independent statutory body that co-ordinates and supports the delivery of high-quality public sector audit in Scotland. Audit Scotland oversees the appointment and performance of auditors, provides technical support, delivers performance audit and Best Value work programmes and undertakes financial audits of public bodies.

The Auditor General appointed Azets as external auditor of Renfrewshire Council for the five year period commencing 2022/23.

## Auditor responsibilities

### Code of Audit Practice

The Code of Audit Practice (the Code) describes the high-level, principles-based purpose and scope of public audit in Scotland. The 2021 Code replaces the Code issued in 2016 and came into effect from 2022/23.

The Code of Audit Practice outlines the responsibilities of external auditors appointed by the Auditor General for Scotland and it is a condition of our appointment that we follow it.

### Our responsibilities

Auditor responsibilities are derived from the Code, statute, International Standards on Auditing (UK) and the Ethical Standard for auditors, other professional requirements and best practice, and guidance from Audit Scotland.

We are responsible for the audit of the accounts and the wider-scope responsibilities explained below. We act independently in carrying out our role and in exercising professional judgement. We report to the Council and others, including Audit Scotland, on the results of our audit work.

Weaknesses or risks, including fraud and other irregularities, identified by auditors, are only those which come to our attention during our normal audit work in accordance with the Code and may not be all that exist.

## Wider scope audit work

Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector.

The wider scope audit specified by the Code broadens the audit of the accounts to include additional aspects or risks in areas of financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes.

---

## Financial management



Financial management means having sound budgetary processes. Audited bodies require to understand the financial environment and whether their internal controls are operating effectively.

### Auditor considerations

Auditors consider whether the body has effective arrangements to secure sound financial management. This includes the strength of the financial management culture, accountability, and arrangements to prevent and detect fraud, error and other irregularities.

---

## Financial sustainability



Financial sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

### Auditor considerations

Auditors consider the extent to which audited bodies show regard to financial sustainability. They look ahead to the medium term (two to five years) and longer term (over five years) to consider whether the body is planning effectively so it can continue to deliver services.

---

---

## Vision, leadership and governance



Audited bodies must have a clear vision and strategy, and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

### Auditor considerations

Auditors consider the clarity of plans to implement the vision, strategy and priorities adopted by the leaders of the audited body. Auditors also consider the effectiveness of governance arrangements for delivery, including openness and transparency of decision-making; robustness of scrutiny and shared working arrangements; and reporting of decisions and outcomes, and financial and performance information.

---

## Use of resources to improve outcomes



Audited bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency and effectiveness through the use of financial and other resources, and reporting performance against outcomes.

### Auditor considerations

Auditors consider the clarity of arrangements in place to ensure that resources are deployed to improve strategic outcomes, meet the needs of service users taking account of inequalities, and deliver continuous improvements in priority services.

---

## Audit quality

The Auditor General and the Accounts Commission require assurance on the quality of public audit in Scotland through comprehensive audit quality arrangements that apply to all audit work and providers. The audit quality arrangements recognise the importance of audit quality to the Auditor General and the Accounts Commission and provide regular reporting on audit quality and performance.

Audit Scotland maintains and delivers an [Audit Quality Framework](#).

The most recent audit quality report can be found at <https://www.audit-scotland.gov.uk/publications/quality-of-public-audit-in-scotland-annual-report-202122>

# Audit strategy

## Risk-based audit approach

We follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to the Council. This ensures that our audit focuses on the areas of highest risk. Our audit planning is based on:

Discussions with senior officers	Our understanding of the sector, its key priorities and risks	Attendance at the Audit, Risk and Scrutiny Board
Guidance from Audit Scotland	Discussions with Audit Scotland and other Council auditors	Discussions with internal audit and reviews of their plans and reports
Review of the Council's corporate strategies and plans	Review of the Council's corporate risk register	Consideration of the work of other inspection bodies

Planning is a continuous process and our audit plans are updated during the course of our audit to take account of developments as they arise.

## Professional standards and guidance

We perform our audit of the financial statements in accordance with International Standards on Auditing UK (ISAs (UK)), Ethical Standards, and applicable Practice Notes and other guidance issued by the Financial Reporting Council (FRC).

## Partnership working

We coordinate our work with Audit Scotland, internal audit, other external auditors and relevant scrutiny bodies, recognising the increasing integration of service delivery and partnership working within the public sector.

### Audit Scotland

Although we are independent of Audit Scotland and are responsible for forming our own views and opinions, we do work closely with Audit Scotland throughout the audit. This helps identify common priorities and risks, treat issues consistently across the sector, and improve audit quality and efficiency. We share information

about identified risks, good practices and barriers to improvement so that lessons to be learnt and knowledge of what works can be disseminated to all relevant bodies.

Audit Scotland undertakes national performance audits on issues affecting the public sector. We may review the Council's arrangements for taking action on any issues reported in the national performance reports which may have a local impact. We also consider the extent to which the Council uses the national performance reports as a means to help improve performance at the local level.

During the year we may also be required to provide information to Audit Scotland to support the national performance audits.

### Internal Audit

As part of our audit, we consider the scope and nature of internal audit work and look to minimise duplication of effort, to ensure the total audit resource to the Council is used as efficiently and effectively as possible.

## Delivering the audit – post pandemic

### Hybrid audit approach

We intend to adopt a hybrid approach to our audit which combines on-site visits with remote working; learning from the better practices developed during the pandemic.

All of our people have the equipment, technology and systems to allow them to work remotely or on-site, including secure access to all necessary data and information.

All of our staff are fully contactable by email, phone call and video-conferencing.

Meetings can be held over Skype, Microsoft Teams or by telephone.

We employ greater use of technology to examine evidence, but only where we have assessed both the sufficiency and appropriateness of the audit evidence produced.

### Secure sharing of information

We use a cloud-based file sharing service that enables users to easily and securely exchange documents and provides a single repository for audit evidence.

### Regular contact

During the ‘fieldwork’ phases of our audit, we will arrange regular catch-ups with key personnel to discuss the progress of the audit. The frequency of these meetings will be discussed and agreed with management.

### Signing annual accounts

Audit Scotland recommends the electronic signing of annual accounts and currently uses a system called DocuSign.

Electronic signatures simplify the process of signing the accounts and are acceptable for laying in Parliament. Accounts can be signed using any device from any location. There is no longer a need for duplicate copies to be signed, thus reducing the risk of missing a signature and all signatories have immediate access to a high-quality PDF version of the accounts.

## Key audit developments in 2022/23

Revised auditing standards<sup>1</sup>, which come into effect from the current year, will have a significant impact on the way we perform our audit, particularly how we assess the risk of material misstatement, our approach to the audit of fraud, and the ways we ensure our audits are performed in line with regulatory requirements and to a high

---

<sup>1</sup> Revisions to ISA (UK) 315 on auditors’ responsibility to identify and assess the risks of material misstatement in the financial statements and ISA (UK) 240 on material misstatements caused by fraud came into effect for audits of financial statements with periods commencing on or after 15 December 2021.

standard. The in-depth nature of these additional procedures, as well as updated tools and techniques that may come into scope, will also offer additional opportunity to provide insights and constructive feedback on the way the Council manages risks. The table below provides further detail on the implications of these new requirements.

Key change	Potential impact on the Council & our approach
<b>Enhanced risk identification and assessment, promoting more focused auditor responses to identified risks</b>	<p>Management and those charged with governance may receive more up-front questions as we plan the audit and identify and assess risks of material misstatement.</p> <p>We may conduct planning and risk assessment procedures at a different time to ensure that our understanding is comprehensive, and that information is leveraged effectively and efficiently.</p> <p>To facilitate a more robust risk-assessment, we may request additional information to enhance our understanding of systems, processes and controls. For example, we may request:</p> <ul style="list-style-type: none"> <li>• a better understanding of the Council's structure and operations and how it integrates information technology (IT)</li> <li>• more information about the Council's processes for assessing risk and monitoring its system of internal control</li> <li>• more detailed narratives about how transactions are initiated, recorded, processed and reported</li> <li>• policies and procedure manuals, flowcharts and other supporting documentation to validate our understanding of the information systems relevant to the preparation of the financial statements</li> <li>• more information to support our inherent risk assessment.</li> </ul> <p>This information not only informs our risk assessment but also assists us in determining an appropriate response to risks identified, including any new significant risks which require a different response.</p>

Key change	Potential impact on the Council & our approach
<b>Understanding and acting on risks associated with IT</b>	<p>We will be asking tailored questions and making information requests to understand the IT environment, including:</p> <ul style="list-style-type: none"> <li>• IT applications</li> <li>• supporting IT infrastructure</li> <li>• IT processes</li> <li>• personnel involved in the IT processes.</li> </ul> <p>Combined with the controls that may be needed to address the identified and assessed risks of material misstatement, this understanding may also identify existing and new risks arising from the use of IT. Therefore, we will be asking more focused questions and requesting additional information to understand the general IT controls that address such risks. For example, we may have questions in relation to general IT controls over journal entries (e.g., segregation of duties related to preparing and posting entries) to address risks arising from the use of IT.</p> <p>Depending on our assessment of the complexity of systems and associated risks, we may also involve additional team members, such as IT specialists.</p>
<b>Enhanced procedures in connection with fraud</b>	<p>We will be asking targeted questions as part of an enhanced approach to fraud, including discussing with the Council:</p> <ul style="list-style-type: none"> <li>• any allegations of fraud raised by employees or related parties</li> <li>• the risks of material fraud, including those specific to the local government sector.</li> </ul> <p>Combined with other information, and any inconsistencies in responses from those charged with governance and management, we determine implications for further audit procedures. Work in connection with fraud may also now include the use of audit data analytics, or the inclusion of specialists in our engagement team to ensure we obtain sufficient appropriate audit evidence to conclude whether the financial statements are materially misstated as a result of fraud.</p> <p>In addition to existing communication and reporting requirements relating to irregularities and fraud, there may be</p>



Key change	Potential impact on the Council & our approach
	<p>further matters we report in connection with management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud.</p> <p>These enhanced requirements may assist in the prevention and detection of material fraud, though do not provide absolute assurance that all fraud is detected or alter the fact that the primary responsibility for preventing and detecting fraud rests with the Council and management.</p>
<b>Enhanced requirements for exercising professional scepticism</b>	<p>Challenge, scepticism and the application of appropriate professional judgement are key components of our audit approach. You may receive additional inquiries if information is found that contradicts what our team has already learned in the audit or in instances where records or documents seen in the course of the audit appear to have been tampered with, or to not be authentic.</p>
<b>Using the right resources, in the right way, at the right time</b>	<p>One of our new strategic quality objectives sets out that we will strive to use the right resource, in the right way, at the right time. This may mean increasing the use of specialists (for example in relation to general IT controls) or changing the shape of the audit engagement team to ensure that we are able to provide appropriate challenge and feedback in specialist areas.</p> <p>This will include appropriate use of technology, including data analytics.</p>

## Communication with those charged with governance

Auditing standards require us to make certain communications throughout the audit to those charged with governance. We have agreed with the Council that these communications will be through the Audit, Risk and Scrutiny Board (which reports to the full Council).

## Audit timetable

The submission date for local government is generally set to be consistent with the date specified in accounts regulations by which a body is required to approve its audited annual accounts. The Coronavirus (Scotland) Act 2000 permitted a deferral in 2019/20 and 2020/21 to 30 November, and a temporary amendment to the accounts regulations allowed a submission date of 31 October for 2021/22. However, the submission date is returning to the pre-pandemic 30 September for 2022/23.

We have set out below target months which align to the Council's schedule of Audit, Risk and Scrutiny Board meetings. We will aim to meet these scheduled meetings however this will be monitored during the audit process and may require to be revised to reflect emerging issues.

Audit work/output	Description	Target month	ARS Board	Deadline
Audit strategy	Onboarding and initial engagement, introductory meetings and presentation of audit strategy.	January	23 Jan 2023	N/A
Audit plan	Planning meetings, understanding the entity, risk assessment.  Audit plan setting out the scope of our audit, including key audit risks, presented to ARSB.	December – March	13 Mar 2023	22 March 2023
Interim audit	Interim audit including review of accounting systems and wider scope work. We will provide a verbal update to the Audit, Risk and Scrutiny Committee on work carried out during our interim audit.	December - March	22 May 2023	N/A

Audit work/ output	Description	Target month	ARS Board	Deadline
Final audit	Accounts presented for audit and final audit visit begins	July- September	TBC	N/A
Independent Auditor's Report	This report will contain our opinion on the financial statements, the audited part of the remuneration and staff report, annual governance statement and performance report.	September	18 Sep 2023	30 September 2023
Annual Report to the Council and the Controller of Audit	At the conclusion of each year's audit we issue an annual report setting out the nature and extent of our audit work for the year and summarise our opinions, conclusions and the significant issues arising from our work. This report pulls together all of our work under the Code of Audit Practice.	August	18 Sep 2023	30 September 2023

© Azets 2023. All rights reserved. Azets refers to Azets Audit Services Limited. Registered in England & Wales Registered No. 09652677. VAT Registration No. 219 0608 22. Registered to carry on audit work in the UK and regulated for a range of investment business activities by the Institute of Chartered Accountants in England and Wales.

We are an accounting, tax, audit, advisory and business services group that delivers a personal experience both digitally and at your door.

**Accounting | Tax | Audit | Advisory | Technology**

---