



Audit procedures for evaluating the financial position in Local Government

EURORAI Conference – Tenerife 2014

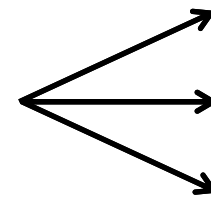


Elaine Boyd, Senior Audit Manager, Audit Scotland 4 April 2014



- Audit Framework
- Audit Programmes and Working Papers
- Substantive Procedures
- Audit Impact Examples
- Audit Reporting
- Looking Ahead

- [Code of Audit Practice](#)
- International Standards on Auditing (ISAs)
- Notes For Guidance – Audit of 2013/14 Local Authorities
- Audit Guide
- Audit Planning



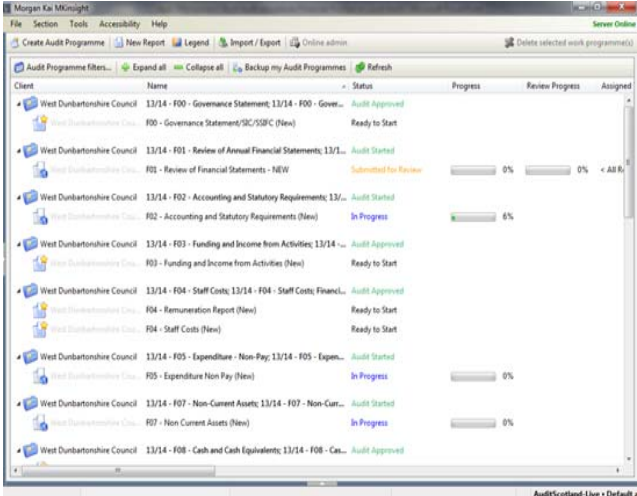
[Financial Statements](#)

[Charities](#)

[Pension Funds](#)

Pre Draft Accounts

- Programmes developed in accordance with up to date technical guidance
- Adapt to suit local circumstances

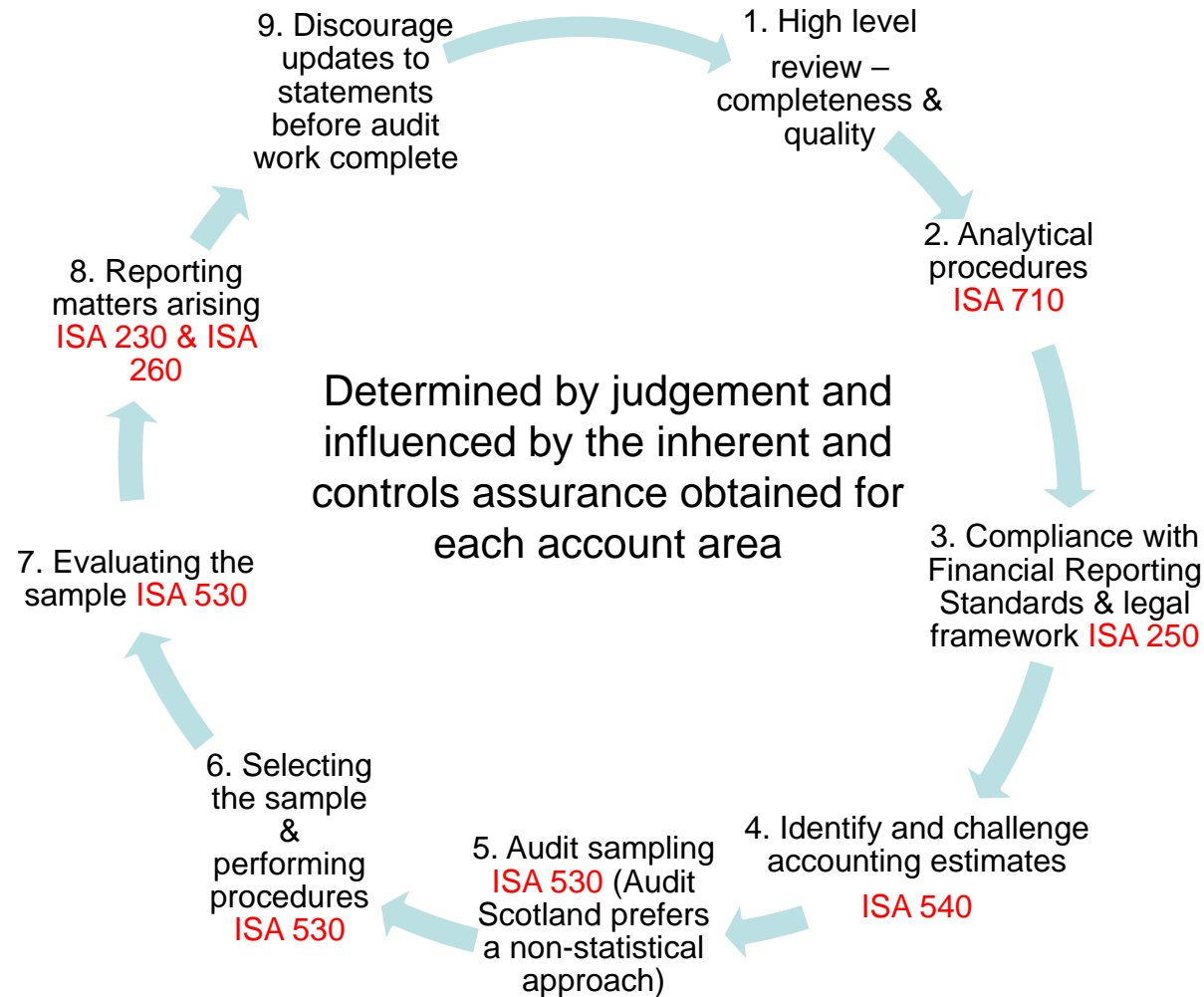
Client	Name	Status	Progress	Review Progress	Assigned
West Dunbartonshire Council	13/14 - F00 - Governance Statement; 13/14 - F00 - Govern...	Audit Approved			
West Dunbartonshire Council	F00 - Governance Statement/SIC/SOP/C (New)	Ready to Start			
West Dunbartonshire Council	13/14 - F01 - Review of Annual Financial Statements; 13/1...	Audit Started			
West Dunbartonshire Council	F01 - Review of Financial Statements - NEW	Submitted for Review	0%	0%	AB B
West Dunbartonshire Council	13/14 - F02 - Accounting and Statutory Requirements; 13/...	Audit Started			
West Dunbartonshire Council	F02 - Accounting and Statutory Requirements (New)	In Progress	4%		
West Dunbartonshire Council	13/14 - F03 - Funding and Income from Activities; 13/14 ...	Audit Approved			
West Dunbartonshire Council	F03 - Funding and Income from Activities (New)	Ready to Start			
West Dunbartonshire Council	13/14 - F04 - Staff Costs; 13/14 - F04 - Staff Costs Financi...	Audit Approved			
West Dunbartonshire Council	F04 - Remuneration Report (New)	Ready to Start			
West Dunbartonshire Council	F04 - Staff Costs (New)	Ready to Start			
West Dunbartonshire Council	13/14 - F05 - Expenditure - Non-Pay; 13/14 - F05 - Expen...	Audit Started			
West Dunbartonshire Council	F05 - Expenditure Non Pay (New)	In Progress	0%		
West Dunbartonshire Council	13/14 - F07 - Non-Current Assets; 13/14 - F07 - Non-Cur...	Audit Started			
West Dunbartonshire Council	F07 - Non Current Assets (New)	In Progress	0%		
West Dunbartonshire Council	13/14 - F08 - Cash and Cash Equivalents; 13/14 - F08 - Ca...	Audit Approved			

Inventories		Complete	Responsible	File name
F00	Workingpaper	Tasks	Efficiency	
1	Stock take instructions together with the details of the basis of valuation, method and frequency of stocktaking and range of stock types.			
2	Analysis of stock figures shown in the Balance Sheet including: Signed stock certificates to support the figure in the Balance Sheet, and A reconciliation of stock figures in the ledger with stock certificates.			
3	Details of write offs and stock adjustments made to reflect any differences between the physical stock value and the book value.			
4	Scope of internal audit reports on stock counts.			
5	A schedule to show the built up and basis of valuation of any stock in principle figure in the balance sheet.			

Trade receivables		Complete	Responsible	File name
F00	Workingpaper	Tasks	Efficiency	
1	An analysis of debtor balances split across significant balances (e.g. sundry debtors, SAC, municipal, trading accounts, other debtors, etc. ...)			
2	Supporting documentation for all other significant debtor balances (e.g. VAT returns, grant claims, etc. ...)			
3	Reconciliation of balances in the accounts to the debtor system and the financial ledger including reconciliation of Council and trading items debitors to respective ledgers.			
4	Schedule of prepayments at 31 March 2014.			
5	Details of the procedure for identifying and excluding inter-departmental debtors and creditors.			
6	Analysis of any bad debts written off in the year and in absence of committee approval.			
7	Details of the basis of calculation of the bad debt provision for sundry debtors, and evidence to support the council's view that the provision is reasonable.			
8	Agreed debt analysis for sundry debtors, presented to the figure in the financial statements. This to be completed 31 March 2014.			
9	Review of long term debtors and reconciliations to supporting			

- Early meeting with key finance staff
- Checklist linked to programmes
- Identify early work

Financial Statements – Substantive Procedures



Case Study 1 – Capital Slippage



- Underspent by £36.8m (45.3%) in 2012/13

Capital slippage 2007/08 - 2012/13

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Capital Programme (£m)	36.8	47.4	47.5	45.2	44.9	81.2
Capital Expenditure (£m)	28.0	31.9	36.6	36.6	31.8	44.4
Slippage (£m)	8.8	15.5	10.9	8.6	13.1	36.8
Slippage	23.9%	32.4%	22.7%	19.2%	29.2%	45.3%

Source: West Dunbartonshire Council Budget Reports 2007/08 - 2012/13

Reasons for Capital Slippage



Substantive testing revealed:

- Delays in capital projects
- Capital plan was short term
- Tendering procedures were not robust



- Projects halted due to weather conditions
- Contractual and legal requirements not fully timetabled
- Project management arrangements weak

Actions taken by Local Authority



Following the completion of the audit:

- 10 year capital plan developed
- Improving capital performance
- Strategic programme framework
- Robust monitoring arrangements



Actions taken by Local Authority

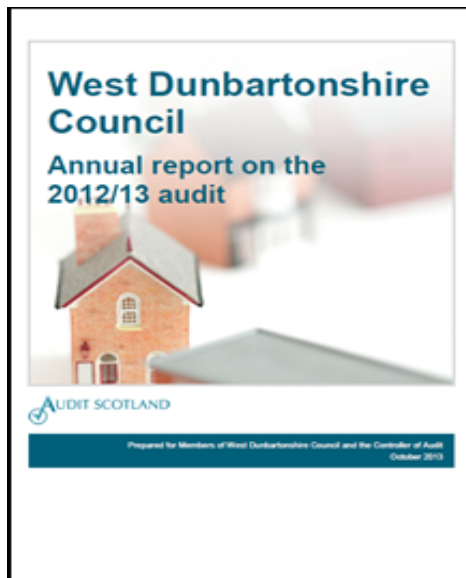
 **East Dunbartonshire Council**

Following the completion of the audit:

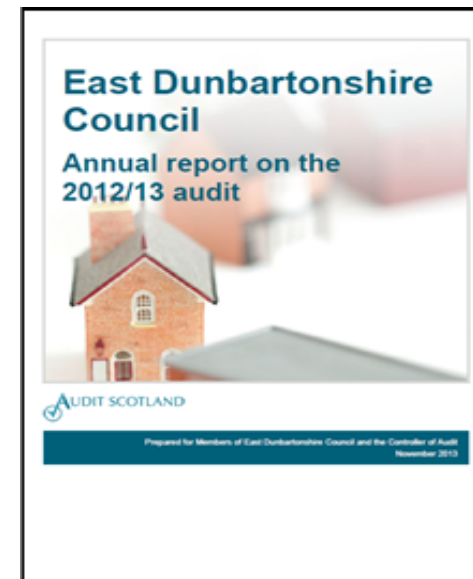
- Contingent liability incorporated in financial statements
- Position now more certain – appeal rate approximately 70% successful
- Arrangements to refund households
- Savings plan developed to manage serious financial position

2 stages of reporting:

1. ISA 260 – Report to those Charged with Governance
 - [West Dunbartonshire Council](#)



2. Annual report on the audit to Members



- Challenging financial position
- Less resources – people and money
- Importance of External Audit
 - Holding to account
 - Helping to improve

