

# Architecture and Design Scotland

Annual Audit Plan 2022/23



 AUDIT SCOTLAND

Prepared for Architecture and Design Scotland

March 2023

---

# Contents

---

Introduction	3
Financial statements audit planning	5
Wider Scope and Best Value	8
Reporting arrangements, timetable, and audit fee	11
Other matters	14
Appendix 1. Your audit team	16

---

# Introduction

---

## Summary of planned audit work

**1.** This document summarises the work plan for our 2022/23 external audit of Architecture and Design Scotland (A&DS). The main elements of our work include:

- evaluation of the key controls within the main accounting systems
- an audit of the annual report and accounts, and provision of an Independent Auditor's Report
- an audit opinion on regularity and other statutory information published within the annual report and accounts including the Performance Report, the Governance Statement and the Remuneration and Staff Report
- consideration of the appropriateness of the disclosures in the governance statement and the financial sustainability of A&DS in line with the requirements for less complex audited bodies (see [paragraph 25](#))

## Audit Appointment

**2.** We are pleased to be appointed as the external auditor of Architecture and Design Scotland for the period 2022/23 to 2026/27 inclusive. You can find a brief biography of your audit team at Appendix 1.

**3.** In the first year of the audit appointment, we invest significant time gaining an understanding of your business and identifying and assessing the risks of material misstatement to the financial statements. While we use our initial assessment of risk to inform our planned audit approach, we keep our assessment of risks under review as the audit progresses. We will inform you of any significant changes in assessed risks and any resulting changes in our planned audit work.

**4.** The audit team will actively engage with you over the course of the audit to ensure our audit work continues to be focused on risk.

## Adding value

**5.** We aim to add value to A&DS through our external audit work by being constructive and forward looking, by attending meetings of the Audit Committee and by recommending and encouraging good practice. In so doing, we will help A&DS promote improved standards of governance, better management and decision making and more effective use of resources.

## Respective responsibilities of the auditor and Architecture and Design Scotland

6. The [Code of Audit Practice 2021](#) sets out in detail the respective responsibilities of the auditor and A&DS. Key responsibilities are summarised below.

### Auditor responsibilities

7. Our responsibilities as independent auditors are established by the Public Finance and Accountability (Scotland) Act 2000 and the [Code of Audit Practice](#) (including [supplementary guidance](#)) and guided by the Financial Reporting Council's Ethical Standard.

8. Auditors in the public sector give an independent opinion on the financial statements and other information within the annual report and accounts. We also review and report on the wider scope arrangements in place at A&DS. In doing this, we aim to support improvement and accountability.

### Architecture & Design Scotland's responsibilities

9. A&DS is responsible for maintaining accounting records and preparing financial statements that give a true and fair view.

10. A&DS has 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 deliver their objectives.

# Financial statements audit planning

## Introduction

**11.** The annual report and accounts are an essential part of demonstrating A&DS's stewardship of resources and its performance in the use of those resources.

**12.** We focus our work on the areas of highest risk. As part of our planning process, we prepare a risk assessment highlighting the audit risks relating to each of the main financial systems relevant to the production of the financial statements.

## Materiality

**13.** The concept of materiality is applied by auditors in planning and performing the audit, and in evaluating the effect of any uncorrected misstatements on the financial statements. We are required to plan our audit to obtain reasonable assurance that the financial statements are free from material misstatement. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement.

### Materiality levels for the 2022/23 audit

**14.** We assess materiality at different levels as described in [Exhibit 1](#). The materiality values for A&DS are set out in [Exhibit 1](#).

## Exhibit 1

### 2022/23 Materiality levels for Architecture and Design Scotland

Materiality	Amount
<b>Planning materiality</b> – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. Materiality has been set based on our assessment of the needs of the users of the financial statements and the nature of A&DS operations. For the year ended 31 March 2023 we have set our materiality at 2% of gross expenditure based on the audited financial statements for 2021/22.	£43,000
<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 could indicate that further audit procedures should be considered. Using our professional judgement, we have assessed performance materiality at 70% of planning materiality.	£30,000

**Reporting threshold (i.e., clearly trivial)** – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. £2,000

Source: Audit Scotland

## Significant risks of material misstatement to the financial statements

**15.** Our risk assessment draws on our cumulative knowledge of A&DS, its major transaction streams, key systems of internal control and risk management processes. It is informed by our discussions with management, meetings with internal audit, attendance at committees and a review of supporting information.

**16.** Audit risk assessment is an iterative and dynamic process. Our assessment of risks set out in this plan may change as more information and evidence becomes available during the progress of the audit. Where such changes occur, we will advise management and where relevant, report them to those charged with governance.

**17.** Based on our risk assessment process, we identified the following significant risks of material misstatement to the financial statements. These are risks which have the greatest impact on our planned audit procedures. [Exhibit 2](#) summarises the nature of the risk, the sources of assurance from management arrangements and the further audit procedures we plan to perform to gain assurance over the risk.

### Exhibit 2

#### 2022/23 Significant risks of material misstatement to the financial statements

Significant risk of material misstatement	Sources of assurance	Planned audit response
<p><b>1. Risk of material misstatement due to fraud caused by management override of controls</b></p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud</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>Assess the design and implementation of controls over journal entry processing.</li> <li>Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.</li> <li>Detailed testing of journal entries with a focus on significant risk areas, including year-end and post-closing entries, where we consider the risk of management override of controls to be the greatest.</li> <li>Evaluate significant transactions outside the normal course of business.</li> </ul>

Significant risk of material misstatement	Sources of assurance	Planned audit response
because of management's ability to override controls that otherwise appear to be operating effectively.		

Source: Audit Scotland

**18.** As set out in International Standard on Auditing (UK) 240: *The auditor's responsibilities relating to fraud in an audit of financial statement*, there is a presumed risk of fraud over the recognition of revenue. There is a risk that revenue may be misstated resulting in a material misstatement in the financial statements. We have rebutted this presumed risk in 2022/23 as the main source of funding is from Scottish Government grants which is agreed to funding confirmations and therefore of low risk of fraud in revenue recognition.

**19.** In line with Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom, as most public-sector bodies are net spending bodies, the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk relating to revenue recognition. We have rebutted this presumed risk in 2022/23 because as our assessment of the constituent expenditure streams, including the incentive and opportunity for fraud, is that the risk of material misstatement is low.

**20.** We have not, therefore, incorporated specific work into our audit plan in these areas over and above our standard audit procedures.

### Other areas of audit focus

**21.** As part of our assessment of audit risks, we have identified other areas where we consider there are also risks of material misstatement to the financial statements. Based on our assessment of the likelihood and magnitude of the risk, we do not consider these to represent significant risks. We will keep these areas under review as our audit progresses.

**22.** The areas of specific audit focus are:

- **IFRS 16 implementation:** the implementation of IFRS 16 is mandatory for central government bodies (including A&DS) from 2022/23 onwards. This is an area of audit focus for our 2022/23 audit as IFRS 16 will significantly change the way in which A&DS accounts for operating leases, including recognising assets and liabilities for the rights and obligations arising from leases previously classified as operating leases.

---

# Wider Scope and Best Value

---

## Introduction

**23.** The [Code of Audit Practice](#) sets out the four areas that frame the wider scope of public sector audit. The Code of Audit Practice requires auditors to consider the adequacy of the arrangements in place for the wider scope areas in audited bodies.

**24.** In summary, the four wider scope areas cover the following:

- **Financial management** - means having sound budgetary processes. We will consider the arrangements to secure sound financial management including the strength of the financial management culture, accountability and arrangements to prevent and detect fraud, error and other irregularities, bribery and corruption.
- **Financial sustainability** - means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs. We will consider the extent to which audited bodies have shown regard to financial sustainability and are planning ahead effectively. We look at planning for the medium term (two to five years) and longer term (longer than five years). The audit will include consideration 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.
- **Vision, leadership and governance** - audited bodies must have a clear vision and strategy and work together with partners and communities to improve outcomes. set priorities for improvement. We will consider the arrangements in place to deliver the vision, strategy and priorities adopted by A&DS. We will also consider the effectiveness of the governance arrangements to support delivery.
- **Use of resources to improve outcomes** - audited bodies must make best use of their resources to meet stated outcomes and improvement objectives. We will consider how A&DS demonstrates economy, efficiency and effectiveness through the use of financial and other resources.

**25.** In line with the Code of Audit Practice and following review of the supplementary guidance and A&DS's most recent audited annual report and accounts, we have taken the less complex bodies approach to wider audit dimensions. This is due to the nature of A&DS's business and the operating income and expenditure streams. This allows us to restrict our wider scope work to financial sustainability and the governance arrangements in place to support the disclosures in the Annual Governance Statement.



## Wider scope risks

**26.** We have identified a wider scope audit risk in the areas set out in [Exhibit 3](#). This exhibit sets out the risk, sources of assurance from management arrangements and the further audit procedures we plan to perform to gain assurances over this risk.

### Exhibit 3 2022/23 wider scope risks

Description of risk	Sources of assurance	Planned audit response
<p><b>Financial Sustainability</b></p> <p>A&amp;DS has set a balanced budget for 2023/24 but has identified year-end deficits from 2024/25 onwards and it require significant savings to mitigate these. A&amp;DS face inflationary and pay related pressures over the short to medium term, with similar challenges across the public sector.</p> <p>A&amp;DS continue to engage with its sponsor department on these challenges and is exploring ways to address them, including a review of future office accommodation needs and provision of online events when appropriate.</p> <p>With these financial pressures, A&amp;DS faces significant challenges in maintaining the delivery of services in a financially sustainable way.</p>	<ul style="list-style-type: none"> <li>• Regular discussion with the Scottish Government sponsor department re financial pressures included in forecasting.</li> <li>• We continue to engage with sponsor team and wider SG Departments to assess all options for moving to the SG/ NDPB estate from 2024.</li> <li>• We are also mindful of the SG recruitment freeze - and are assessing each post that becomes vacant to realise potential savings in year.</li> </ul>	<ul style="list-style-type: none"> <li>• Review of A&amp;DS's annual budget setting and monitoring arrangements</li> <li>• Review of A&amp;DS's medium to longer term financial planning</li> <li>• On-going review of A&amp;DS's financial position and delivery of planned savings.</li> </ul>

Source: Audit Scotland

## Duty of Best Value

**27. [Ministerial Guidance to Accountable Officers](#)** for public bodies and the **[Scottish Public Finance Manual](#)** (SPFM) explain that accountable officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. We will be carrying out a high-level review to confirm that such arrangements are in place within A&DS.

# Reporting arrangements, timetable, and audit fee

## Reporting arrangements

**28.** Audit reporting is the visible output for the annual audit. All Annual Audit Plans and the outputs, as detailed in, 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).

**29.** 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 officers to confirm factual accuracy.

**30.** We will provide an independent auditor's report to A&DS, the Scottish Parliament, and the Auditor General for Scotland, setting out our opinions on the annual report and accounts. We will provide A&DS and the Auditor General for Scotland with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

**31.** [Exhibit 4](#) outlines the target dates for our audit outputs. Central government bodies have a statutory deadline of 31 December 2023, which is also the deadline for bodies under the Companies Act 2006. We aim to issue the independent auditor's report by this deadline as outlined below.

## Exhibit 4 2022/23 Audit outputs

Audit Output	Target date	Audit Committee Date
Annual Audit Plan	31 March 2023	To be issued to committee members by 31 March 2023
Independent Auditor's Report	w/c 4 December 2023	To be confirmed
Annual Audit Report	w/c 4 December 2023	To be confirmed

Source: Audit Scotland



## Timetable

**32.** To support an efficient audit, it is critical that the timetable for producing the annual report and accounts for audit is achieved. We have included a proposed timetable for the audit at [Exhibit 5](#) that has been discussed with management.

**33.** Covid-19 has had a considerable impact on the conduct and timeliness of the audit. We recognise that it is in the best interests of public accountability to get the reporting of audited accounts back to pre-pandemic timelines. We are identifying ways to work more efficiently to expedite the 2022/23 audits whilst at the same time maintaining high standards of quality.

**34.** We will continue to work closely with management to identify the most efficient approach as appropriate and will keep timeframes and logistics for the completion of the audit under review. Progress will be discussed with management and finance officers over the course of the audit.

### Exhibit 5 Proposed annual report and accounts timetable

 Key stage	 Provisional Date
Consideration of the unaudited annual report and accounts by those charged with governance	16 October 2023
Latest submission date for the receipt of the unaudited annual report and accounts with complete working papers package.	16 October 2023
Latest date for final clearance meeting with the Corporate Infrastructure Manager	24 November 2023
Issue of draft Letter of Representation and proposed Independent Auditor's Report	w/c 27 November 2023
Agreement of audited and unsigned annual report and accounts	w/c 27 November 2023
Issue of Annual Audit Report to those charged with governance.	w/c 4 December 2023
Signed Independent Auditor's Report	w/c 4 December 2023

Source: Audit Scotland

## Audit fee

**35.** In determining the audit fee, we have taken account of the risk exposure of the A&DS and the planned management assurances in place. The agreed audit fee for 2022/23 is £11,240 as set out in [Exhibit 6](#).

**36.** Our fees have increased in 2022/23 and this is a reflection of the current audit market and the rising costs in delivering high quality audit work. There are

increased regulatory expectations and risks placed on audit and its quality, as well as a widening in the scope of work audit must cover.

## Exhibit 6

### Audit fees (including VAT)

Fee component	Fees (£)
External Auditor Remuneration	£23,360
Pooled costs	(£370)
Contribution to Audit Scotland costs	£660
Sectoral Cap Adjustment	(£12,410)
Total 2022/23 fee	£11,240

Source: Audit Scotland

**37.** Details of the components of the audit fee have been separately communicated to management. In setting the fee for 2022/23 auditors have the opportunity for agreeing local increases from the baseline fee depending on the risks and anticipated audit work identified during audit planning. The above proposed fee has been retained at the baseline fee, we have assumed that A&DS has effective governance arrangements and will prepare comprehensive and accurate accounts for audit in line with the agreed timetable for the audit. The audit fee assumes there will be no major change in respect of the scope of the audit during the year and where our audit cannot proceed as planned, a supplementary fee may be levied.

---

# Other matters

---

## Internal audit

**38.** It is the responsibility of A&DS to establish adequate internal audit arrangements. Internal audit has been provided by TIAA Ltd in 2022/23. We will review the internal audit plan and the results of internal audit's work.

**39.** While we are not planning to place formal reliance on the work of internal audit in 2022/23, we will review internal audit reports and assess the impact of the findings on our financial statements and wider scope audit responsibilities.

## Independence and objectivity

**40.** Auditors appointed by the Auditor General for Scotland or Accounts Commission 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.

**41.** 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 Executive Director of Innovation and Quality, who serves as Audit Scotland's Ethics Partner.

**42.** The appointed auditor for A&DS is Stephanie Harold, Senior Audit Manager. 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 A&DS.

## Audit Quality

**43.** Quality is at the core of public audit in Scotland and is the foundation for building consistency and confidence across all audit work. High quality audits provide assurance, add value and can support public bodies to achieve their objectives.

**44.** Until 2021/22, the applicable audit quality standard was International Standard on Quality Control 1 (ISQC (UK) 1). This set out an audit practice's responsibilities for its system of quality control for audits.

**45.** ISQC(UK) 1 has been replaced by two new audit quality standards: Internal Standards on Quality Management (ISQM (UK) 1) applicable from 15 December 2022 and (ISQM(UK) 2) effective for the 2023/24 audits. Work is underway at Audit Scotland to meet the requirements of these quality standards.

**46.** Audit Scotland is committed to delivering high quality audits. 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 supplementary 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 England and Wales (ICAEW) have been commissioned to carry out external quality reviews.

**47.** 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. Your audit team

---

**48.** The audit team involved in the audit of A&DS have significant experience in public sector audit.

Stephanie Harold  
Engagement Lead  
Senior Audit Manager  
[sharold@audit-scotland.gov.uk](mailto:sharold@audit-scotland.gov.uk)

Stephanie is the Senior Audit Manager with overall responsibility for delivery of the audit. Stephanie has over 11 years of public sector audit experience and has delivered external audit services to a range of bodies including local authorities, health boards and central government bodies.

Emma Carrigan  
Senior Auditor  
[ecarrigan@audit-scotland.gov.uk](mailto:ecarrigan@audit-scotland.gov.uk)

Emma has considerable experience in planning and delivering audits. Emma will manage the team and work alongside the Senior Audit Manager and other colleagues to deliver the audit.

**49.** The local audit team is supported by a specialist technical accounting team, all of whom have significant experience of public bodies and work with accounting regulatory bodies.



# Architecture and Design Scotland

## Annual Audit Plan 2022/23

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

[www.audit-scotland.gov.uk/accessibility](http://www.audit-scotland.gov.uk/accessibility)

For the latest news follow us on social media or [subscribe to our email alerts.](#)



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN  
Phone: 0131 625 1500 Email: [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)  
[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)