

Title of report	Draft External Audit Planning Report 2022/23
Public/Confidential	Public
Summary/purpose of report	This report presents the draft external audit planning report for 2022/23 from our external auditors.
Recommendations	<p>The Council is asked to:</p> <ul style="list-style-type: none"> • agree that the materiality levels selected by the external auditors are appropriate for the scope of the audit (Appendix 1 page 9) • approve the draft 2022/23 external audit planning report (Appendix 1) • authorise the Interim Director of Finance and Resources, or other Director, to approve any minor amendments made by the external auditor following the meeting to finalise the plan.
Author	Anne Stewart, Head of Legal and Corporate Governance
Responsible Officer	Lynn Murray, Interim Director, Finance and Resources
Link to Strategic Plan	<p>The information in this report links to:</p> <p>Outcome 1: People who use services are protected by ensuring the regulated workforce is fit to practise.</p> <p>Outcome 2: The SSSC supports and enhances the development of the registered workforce to deliver high standards of practice and drive improvement.</p> <p>Outcome 3: Our workforce planning activities support employers, commissioners and policy makers to deliver a sustainable, integrated and innovative workforce.</p> <p>Outcome 4: The social work, social care and early years workforce is recognised as professional and</p>

	regulated and valued for the difference it makes to people's lives.
Link to Risk Register	Risk 3: We fail to meet corporate governance, external scrutiny and legal obligations.
Impact assessments	<ol style="list-style-type: none"> 1. An Equalities Impact Assessment (EIA) was not required. 2. A Data Protection Impact Assessment (DPIA) was not required. 3. A Sustainability Impact Assessment (SIA) was not required.
Documents attached	Appendix 1 – draft planning report on 2022/23 external audit
Background papers	None

EXECUTIVE SUMMARY

1. Audit Scotland has appointed new auditors for the SSSC, Deloitte LLP, for a five-year period commencing April 2022.
2. Under our Code of Corporate Governance, the Audit and Assurance Committee endorses the draft external audit planning report (the plan) and Council approves it. As Deloitte LLP are newly appointed, they were unable to prepare a plan in time for the February meeting of the Audit and Assurance Committee. The Chair of the Audit and Assurance Committee and Convener agreed that we would present the draft plan to this meeting for approval.
3. The plan sets out how the auditors propose to audit the SSSC annual report and accounts 2022/23.
4. The draft external audit planning report for 2022/23 forms Appendix 1 to this report for approval by the Council.

2022/23 DRAFT EXTERNAL AUDIT PLANNING REPORT

5. Every year the external auditor submits a plan to the SSSC in advance of the audit starting. The plan for the audit of the 2022/23 financial statements (Appendix 1) includes an overview of the audit, sets materiality levels, outlines the audit approach and timeline, identifies significant audit risks, sets out auditor responsibilities and independence and how they will ensure quality and added value, and provides information on accounting estimates and audit developments.
6. The external audit partner has determined materiality at £524,000 (2% of forecast gross expenditure), performance materiality at £366,000 (70% of materiality) and the Audit and Assurance Committee reporting threshold as £26,000 (page 9 of Appendix 1). Deloitte have asked the Audit and Assurance Committee to satisfy themselves that the level of materiality chosen is appropriate for the scope of the audit.
7. Audit Scotland communicated the expected fee for 2022/23 of £27,030 (2021/22: £21,100) in December 2022. This is an increase of 28% and the breakdown is included on page 41 of Appendix 1. Audit Scotland emphasised the importance of maintaining the quality of audit work and gave the reason for the above inflationary increase as being due to the current audit market and the increasing requirements, expectations and scrutiny of the audit profession.
8. The external auditors note in the plan that they expect management to prepare reports to the Audit and Assurance Committee on hot topics such as IFRS16 accounting for leases (page 16), economic uncertainty, climate change and cyber security (pages 23 to 26). We will table them at meetings considering issues on the Annual Report and Accounts.

9. Deloitte LLP will update the plan with details of relevant Council and Audit and Assurance Committee dates once we have confirmed them. We ask Council to authorise the Interim Director of Finance and Resources, or other Director, to approve amendments including dates, fees and any minor amendments that the external auditor makes following approval of the draft plan by Council. If there are significant changes, we will present the revised plan to the Audit and Assurance Committee on 2 May 2023.

CONSULTATION

10. The Executive Management Team has reviewed the draft external audit plan.

RISKS

11. We have an averse appetite to risks relating to risk 3: we fail to meet corporate governance, external scrutiny and legal obligations.
The external audit plan (pages 12 to 17) sets out significant audit risks that the auditor has identified for SSSC in relation to:
 - management override of controls
 - operating within the expenditure resource limits
 - completeness of fee income.As well as areas of audit interest that are not considered significant risks:
 - introduction of IFRS16 accounting for leases
 - defined benefit pension scheme liability valuation.
12. The auditor highlighted revisions to ISA (UK) 315 identifying and assessing the risks of material misstatement (pages 31 and 32) and also identified significant risks in wider scope requirements (pages 19 to 22):
 - Financial management
 - Financial stability
 - Vision, leadership and governance
 - Use of resources to improve outcomes
 - Climate change
 - Cyber security
 - Fraud.

IMPLICATIONS

Resourcing

13. There are no resource impacts arising from the report itself. The SSSC deploys significant resources across the organisation, particularly in the Finance Team, to support the external audit.

Compliance

14. The audit plan sets out the standards, codes and legislation that we must comply with.

IMPACT ASSESSMENTS

Equalities

15. We did not develop an EIA as the audit plan is a governance document that does not have an impact on people with protected characteristics.

CONCLUSION

16. This report asks Council to approve the draft 2022/23 external audit planning report, agree audit materiality levels and authorise the Interim Director of Finance and Resources, or other Director, to approve any minor amendments the external auditor makes after the meeting.