

# Clyde Valley Learning and Development Joint Committee

Audit Plan 2020/21



 AUDIT SCOTLAND

Prepared for Clyde Valley Learning and Development Joint Committee

February 2021

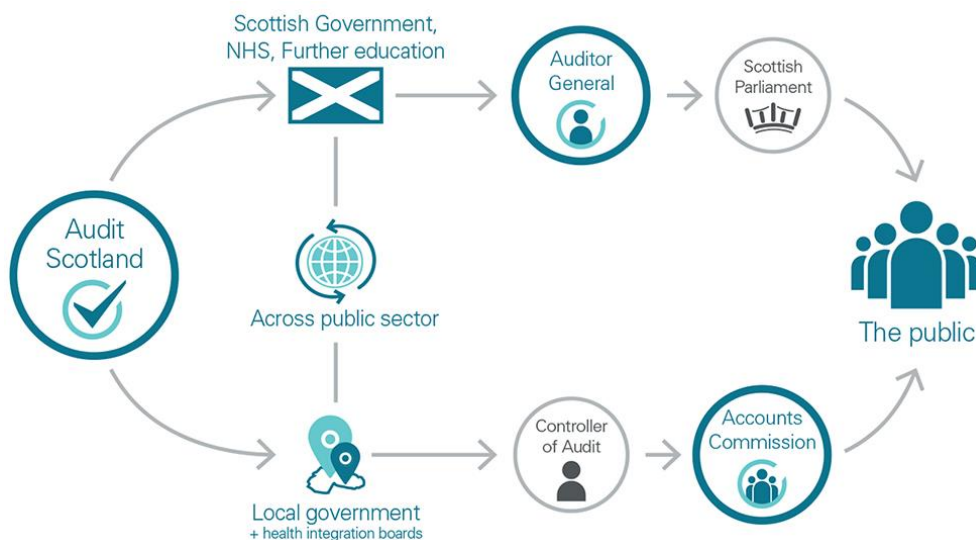
## Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

The Auditor General is a Crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.

The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.

Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



## About us

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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# Risks and planned work

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## Introduction

1. This annual audit plan contains an overview of the planned scope and timing of our audit of Clyde Valley Learning and Development Joint Committee for 2020/21. Our audit is carried out in accordance with International Standards on Auditing and Audit Scotland's [Code of Audit Practice](#).

2. The plan sets out the audit work necessary to allow us to provide an independent auditor's report on the annual accounts and meet the wider scope requirements of public sector audit. We make a public report of conclusions on these matters in our Annual Audit Report to Joint Committee and the Controller of Audit.

## Impact of Covid-19

3. The Auditor General and Audit Scotland are responding to the risks to public services and finances from Covid-19 across the full range of audit work, including annual accounts audits and the programme of performance audits. Audit Scotland views 2020/21 as a transitional year, leading in future to audit timetables which were possible before Covid-19. The safety of audit teams and client staff and the delivery of high-quality audits remain paramount.

4. Maintaining a pragmatic and flexible approach will enable change at short notice as new issues emerge, or current risks change in significance. Where this impacts on annual audits, an addendum to this annual audit plan may be necessary. A January 2021 update paper from Audit Scotland, [Covid-19 What it Means for Public Audit](#), restates the principles and approach we are taking following the reintroduction of significant restrictions in Scotland.

## Adding value


5. We seek to add value to the Joint Committee by identifying areas of improvement and recommending and encouraging good practice on financial sustainability, governance, risk management and performance. In so doing, we aim to help the Joint Committee promote improved standards, better management and decision making, and more effective use of resources.

## Audit risks

6. Based on our discussions with staff and a review of supporting information we have identified the key audit risks, [exhibit 1](#). We have categorised these risks into financial statement risks and wider dimension risks.

## Exhibit 1

### 2020/21 Key audit risks

	Audit Risk	Source of management assurance	Planned audit work
<b>Financial statements risks</b>			
1	<b>Risk of management override of controls</b>  Auditing standards require that audit work is planned to consider the risk of misstatement arising from the management override of controls.	<ul style="list-style-type: none"> <li>In view of the nature of this risk, assurances from management are not appropriate.</li> </ul>	<ul style="list-style-type: none"> <li>Detailed testing of journal entries.</li> <li>Review of accounting estimates.</li> <li>Focused testing of accruals and prepayments.</li> <li>Evaluation of significant transactions that are outside the normal course of business.</li> </ul>
2	<b>Risk of fraud in expenditure</b>  Auditing standards assert that fraud should be presumed to be a significant risk in any audit.	<ul style="list-style-type: none"> <li>Robust controls over expenditure streams.</li> </ul>	<ul style="list-style-type: none"> <li>Detailed testing of expenditure transactions focusing on the areas of greatest risk.</li> <li>Analytical procedures on expenditure streams.</li> <li>Focused testing on expenditure around the cut-off period.</li> </ul>
<b>Wider dimension risks</b>			
3	<b>Governance and transparency</b>  Each constituent council appoints a councillor to the Joint Committee. Attendance at meetings by committee members is poor. There is a risk of insufficient scrutiny of the Joint Committee's operations.  The minutes of the most recent meeting (September 2020) were not published until January 2021. Although this is a one-off incident, there may be perceived lack of transparency where publication of minutes are subject to delays.	<ul style="list-style-type: none"> <li>To encourage better attendance by the elected members, the option of participating by conference call is being made available for future meetings of the joint committee.</li> <li>To encourage for minutes to be published soon after a meeting is held.</li> </ul>	<ul style="list-style-type: none"> <li>Attend committee meetings.</li> <li>Review of meeting minutes.</li> </ul>

Source: Audit Scotland

7. International auditing standards require auditors to make a rebuttable presumption of a risk of fraud in the recognition of income. The Joint Committee is funded, in the main, by constituent councils. Transactions are simple and of low

volume. Consequently, we conclude that there is no risk of material misstatement caused by fraud over income.

## Reporting arrangements

**8.** This audit plan and the outputs set out at [exhibit 2](#) will be published on Audit Scotland's website: <https://www.audit-scotland.gov.uk> in due course.

**9.** Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft reports will be issued to the relevant officer(s) to confirm factual accuracy prior to the issue and publication of final reports.

**10.** We will provide an Independent Auditor's Report to the Joint Committee and the Accounts Commission setting out our opinions on the annual accounts. We will also provide the Joint Committee and the Controller of Audit with an Annual Audit Report containing observations and recommendations on significant matters which have arisen during the course of the audit.

## Audit fee

**11.** The agreed audit fee is £1,960 (2019/20 £1,920). In determining the audit fee, we have taken account of the risk exposure of the organisation, the planned management assurances in place.

**12.** Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual accounts, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises out with our planned audit activity.

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## Exhibit 2

### 2020/21 Audit outputs

Audit Output	Target date	Joint Committee Date
Annual Audit Report	31 October	13 September
Independent Auditor's Report	31 October	13 September

The target dates included are those specified in Audit Scotland's Planning Guidance 2020/21. The CVLDJC meeting date is the earliest opportunity to present the report to the Joint Committee given the infrequency of its meetings.

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## Responsibilities

### Joint Committee and section 95 officer

**13.** Audited bodies are responsible for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity. The audit of the financial statements does not relieve management or the Joint Committee of their responsibilities.

### Appointed auditor

**14.** Our responsibilities as independent auditors are established by the Local Government (Scotland) Act 1973, the Code of Audit Practice and the auditing profession's ethical guidance. Auditors in the public sector give an independent opinion on the financial statements and other information within the annual accounts.

# Audit scope and timing

## Annual accounts

**15.** The annual accounts audit will be the foundation and source for much of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:

- understanding the business of the Joint Committee and the associated risks which could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how these will be included in the financial statements
- assessing the risks of material misstatement in the financial statements
- determining the nature, timing and extent of audit procedures necessary to provide sufficient audit evidence as to whether the financial statements are free of material misstatement.

**16.** We will give an opinion on whether the financial statements:

- give a true and fair view of the state of affairs of the Joint Committee as at 31 March 2021 and of the income and expenditure of the year then ended;
- have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom;
- have been prepared in accordance with relevant legislation.

## Other information in the annual accounts

**17.** We review other information published within the annual accounts including the management commentary, annual governance statement and the remuneration report. We give an opinion on whether they have been prepared in accordance with regulations and guidance. We also read and consider any other information in the annual accounts and report any material inconsistencies.

## Materiality

**18.** We apply the concept of materiality in planning and performing our audit. Materiality defines the maximum error that we are prepared to accept and still conclude that the financial statements present a true and fair view. It helps assist our planning of the audit and allows us to assess the impact of any potential audit adjustments on the financial statements. Our calculated materiality levels are set out in [exhibit 3](#).



characteristics



responsibilities



principal activities



risks



governance arrangements

## Exhibit 3

### Materiality levels

Materiality	Amount
<b>Planning materiality</b> – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 2% of the gross expenditure per the 2019/20 audited annual accounts and rounded down to the nearest 100.	£2,200
<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 would indicate that further audit procedures should be considered. Using our professional judgement, we have calculated performance materiality at 75% of planning materiality and rounded down to the nearest 100.	£1,600
<b>Reporting threshold</b> – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. We consider that an appropriate figure of interest to members would be £100.	£100



Source: Audit Scotland planning files

## Timetable

**19.** An agreed timetable is included at [exhibit 4](#), which takes into account submission requirements and Joint Committee meeting dates. While we will do our best to meet the target dates below, the dates will be subject to change if further issues arise from Covid-19 that impact on the Joint Committee or the audit team

## Exhibit 4

### Annual report and accounts timetable

 Key stage	 Date
Consideration of unaudited annual accounts by the Joint Committee	14 June
Latest submission date of unaudited annual accounts to external audit	30 June
Latest date for final clearance meeting with section 95 officer	16 August
Issue of Independent Auditor's Report	13 September
Issue of Annual Audit Report	

## Audit dimensions

**20.** Our standard audits are based on four audit dimensions that frame the wider scope of public sector audit requirements. These are: financial sustainability; financial management; governance and transparency; and, value for money.



**21.** The Code of Audit Practice includes provisions relating to the audit of small bodies. Where the application of the full wider audit scope is judged by auditors not to be appropriate to an audited body then the annual audit work can focus on the appropriateness of the disclosures in the governance statement and the financial sustainability of the body and its services. In light of the volume and lack of complexity of the financial transactions, we will apply the small body provisions of the Code to the 2020/21 audit of the Joint Committee.

## Independence and objectivity

**22.** Auditors appointed by the Accounts Commission must comply with the Code of Audit Practice. 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. 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 Director of Audit Services, who serves as Audit Scotland’s Ethics Partner.

**23.** The appointed auditor for the Joint Committee is Dave Richardson, Senior Audit Manager. Auditing and ethical standards require the engagement lead 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 the Joint Committee.

## Quality control

**24.** The international standard on quality control requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor’s report or opinion is appropriate in the circumstances.

**25.** 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 issued by Audit 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 Scotland have been engaged to carry out an annual programme of independent quality reviews.

**26.** 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 or to Audit Scotland’s Audit Quality and Appointments group.

# Clyde Valley Learning and Development Joint Committee

## Audit Plan 2020/21

If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500 or [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)

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