

# Clyde Valley Learning and Development Joint Committee:

Annual Audit Plan 2018/19



 AUDIT SCOTLAND

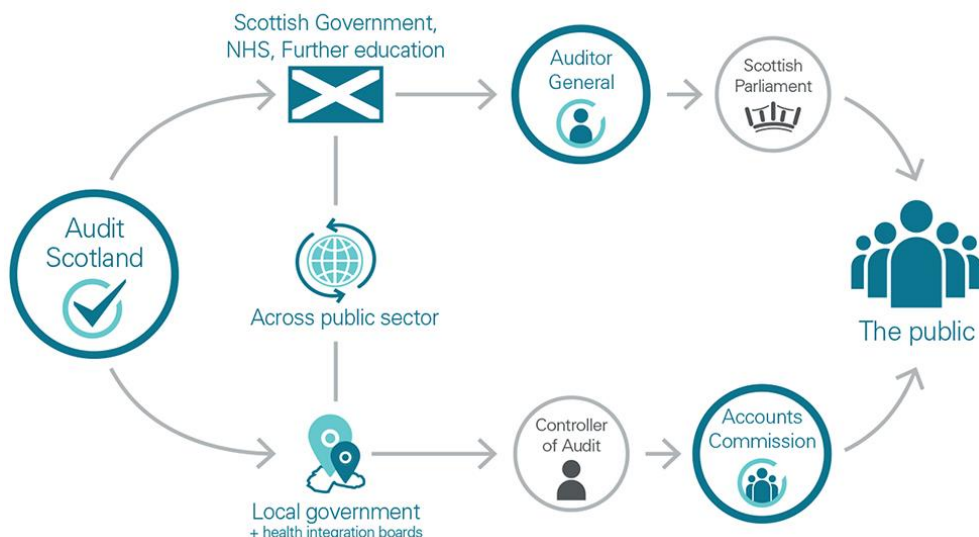
Prepared for Clyde Valley Learning and Development Joint Committee

February 2019

## Who we are

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

- The Auditor General is an independent 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


## Introduction


1. This audit plan provides an overview of the planned scope and timing of our audit of the Clyde Valley Learning and Development Joint Committee (CVLDJC) for 2018/19. Our audit is carried out in accordance with International Standards on Auditing (ISAs) and the Code of Audit Practice issued by Audit Scotland and endorsed by the Accounts Commission.
2. We seek to add value to the CVLDJC 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 CVLDJC promote improved standards, better management and decision making, and more effective use of resources.
3. 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. The wider scope of public audit includes assessing arrangements for financial sustainability, governance and transparency, and value for money. We make a public report of conclusions on these matters in our Annual Audit Report to CVLDJC and the Controller of Audit.

## Audit risks

4. Based on our discussions with staff and a review of supporting information we have identified the main risk areas for CVLDJC. We have categorised these risks into financial statement risks and wider dimension risks. The key audit risks, which require specific audit testing, are set out at [Exhibit 1](#).
5. This annual audit plan contains an overview of the planned scope and timing of our audit and is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and any other relevant guidance. This plan sets out the work necessary to allow us to provide an independent auditor's report on the financial statements and meet the wider scope requirements of public sector audit.

## Exhibit 1 2018/19 Key audit risks

 Audit Risk	Source of assurance	Planned audit work
<b>Financial statements issues and risks</b>		
<p><b>1 Risk of management override of controls</b></p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls.</p>	<p>In view of the nature of this risk, assurances from management are not appropriate.</p>	<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>

 Audit Risk	Source of assurance	Planned audit work
<p><b>3 Risk of fraud over expenditure</b></p> <p>The Code of Audit Practice expands the ISA 240 assumption on fraud over income to aspects of expenditure.</p>	<p>In view of the nature of this risk, assurances from management are not appropriate.</p>	<ul style="list-style-type: none"> <li>Substantive testing of expenditure</li> </ul>

Source: Audit Scotland

## Reporting arrangements

**6.** The outputs set out in [Exhibit 2](#), and any other outputs on matters of public interest will be published on Audit Scotland's website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

**7.** 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.

**8.** We will provide an independent auditor's report to the Clyde Valley Learning and Development Joint Committee and the Accounts Commission setting out our opinions on the annual accounts. We will provide the Joint Committee and the Controller of Audit with an Annual Audit Report containing observations and recommendations on significant matters which have arisen in the course of the audit.

## Exhibit 2 2018/19 Audit outputs

Audit Output	Target date	CVLDJC meeting date
Annual Audit Plan	29 March 2019	10 June 2019
Annual Audit Report	30 September 2019	09 September 2019
Independent Auditor's Report	30 September 2019	09 September 2019

The target dates included are those specified in Audit Scotland's Planning Guidance 2018/19. The CVLDJC meeting date is the earliest opportunity to present the report to the Joint Committee given the infrequency of its meetings.

Source: Audit Scotland

## Audit fee

**9.** The agreed audit fee for the 2018/19 audit of CVLDJC is £1,880 (£1,820 in 2017/18). In determining the audit fee we have taken account of the risk exposure of CVLDJC and the planned management assurances in place.

**10.** Where our audit cannot proceed as planned through, for example, late receipt of unaudited financial statements, 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.

## Responsibilities

### Joint Committee and section 95 officer

- 11.** Audited bodies have 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 successfully deliver their objectives.
- 12.** The audit of the financial statements does not relieve management or the Joint Committee, as those charged with governance, of their responsibilities.

### Appointed auditor

- 13.** Our responsibilities as independent auditors are established by the Local Government (Scotland) 1973 Act, and the Code of Audit Practice and guided by the Financial Reporting Council's Ethical Standard.
- 14.** Auditors in the public sector give an independent opinion on the annual accounts. We aim to support improvement and accountability by reviewing and reporting on arrangements to manage performance and use of resources.

# Audit scope and timing

## Financial Statements

**15.** The statutory financial statements 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 CVLDJC and the associated risks which could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how CVLDJC will include these 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 us with 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 CVLDJC as at 31 March 2019 and of the income and expenditure of CVLDJC for the year then ended
- the annual accounts have been properly prepared in accordance with International Financial Reporting Standards as interpreted and adapted by the 2018/19 Code of Practice on Local Authority Accounting in the United Kingdom
- the annual accounts have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

**17.** We also review and report on the management commentary and governance statement. We give an opinion on whether they have been prepared in accordance with the appropriate 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 1% of gross expenditure for the year ended 31 March 18 based on the latest audited accounts for 2018.	£620
<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 60% of planning materiality.	£370
<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. 2017/18 CVLDJC audited accounts

#### Timetable

19. An agreed timetable is included at [Exhibit 4](#), which takes into account submission requirements and planned Joint Committee meeting dates.

### Exhibit 4

#### Financial statements timetable

 Key stage	 Date
Consideration of unaudited financial statements by those charged with governance	10 June 2019
Latest submission date of unaudited financial statements	28 June 2019
Latest date for final clearance meeting	26 July 2019
Issue of proposed Annual Audit Report to those charged with governance	9 August 2019
Issue of independent auditor's report*	9 September 2019

\*The independent auditor's report will be signed off by the certifying auditor after the annual accounts are approved by the joint committee

#### Audit dimensions

20. Our audits are based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 5](#).



## Exhibit 5

### Audit dimensions



Source: Code of Audit Practice

**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 governance statement and the financial sustainability of the body and its services. In the light of the volume and lack of complexity of the financial transactions, we plan to apply the small body provisions of the Code to the 2018/19 audit of the CVLDJC.

#### Financial sustainability

**22.** As auditors we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on the body's financial sustainability in the longer term.

#### Independence and objectivity

**23.** 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.

**24.** The engagement lead for CVLDJC 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

**25.** International Standard on Quality Control (UK and Ireland) 1 (ISQC1) 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.

**26.** 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 commissioned to carry out external quality reviews.

**27.** 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.

# Clyde Valley Learning and Development Joint Committee

## Annual Audit Plan 2018/19

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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