

Dunbartonshire and Argyll & Bute Valuation Joint Board

Annual Audit Plan 2020/21



 AUDIT SCOTLAND

Prepared for the Dunbartonshire and Argyll & Bute Valuation Joint Board

5 March 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 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

Our vision is to be a world-class audit organisation that improves the use of public money.

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.

Contents

Risks and planned work	4
Audit scope and timing	8

Risks and planned work

1. This annual audit plan contains an overview of the planned scope and timing of our audit which is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and [guidance on planning the audit](#). This plan sets out the 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.

2. The wider scope of public audit contributes to assessments and conclusions on financial management, financial sustainability, governance and transparency and value for money.

Impact of Covid-19 on public audit

3. The public health crisis caused by the Covid-19 pandemic has had a significant and profound effect on every aspect of Scottish society. Public services have been drastically affected, requiring immediate changes to the way they are provided. The impact on public finances has been unprecedented, which has necessitated both the Scottish and UK governments providing substantial additional funding for public services as well as support for individuals, businesses and the economy. It is likely that further financial measures will be needed and that the effects will be felt well into the future.

4. Public audit has an important contribution to the recovery and renewal of public services. The Auditor General, the Accounts Commission 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 audits and the programme of performance audits. A January 2021 paper, [Covid-19 What it Means for Public Audit: An Update](#), restates the principles and approach we are taking following the reintroduction of significant restrictions in Scotland.

5. Audit Scotland is unable to meet the audit timetables which were possible before Covid-19, but we will aim to conclude the audit as early as possible. The well-being of audit teams and the delivery of high-quality audits remain paramount. 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, revisions to this annual audit plan may be necessary.

Adding value


6. We aim to add value to the Dunbartonshire and Argyll & Bute Valuation Joint Board (DABVJB) through our external audit work by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice. In so doing, we intend to help the DABVJB promote improved standards of governance, better management and decision making and more effective use of resources.


Audit risks

7. Based on our discussions with staff, attendance at Joint Board meetings and a review of supporting information we have identified the following significant risk for DABVJB. We have categorised these risks into financial statements risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#).

Exhibit 1

Significant risks for the 2020/21 audit

 Audit Risk	Source of assurance	Planned audit work
Financial statements risks		
<p>1 Risk of material misstatement due to fraud caused by the management override of controls</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 to change the position disclosed in the financial statements.</p>	<p><i>Owing to the nature of this risk, assurances from management are not applicable in this instance.</i></p>	<ul style="list-style-type: none"> • Detailed testing of journal entries • Review of accounting estimates. • Testing of accruals and prepayments • Testing of significant transactions that are outside the normal course of business.
<p>2 Risk of material misstatement caused by fraud in expenditure</p> <p>The Code of Audit Practice expands the consideration of fraud under ISA 240 to include the risk of fraud over expenditure. There is a risk that expenditure may be materially misstated in the 2020/21 financial statements in relation to the DABVJB's significant expenditure streams, including: staff costs, supplies and services expenditure, and property costs.</p>	<ul style="list-style-type: none"> • Normal budget monitoring processes would establish and report the reasons for any unexpected fluctuations in expenditure during the year. • Payroll controls would prevent fraudulent or erroneous staff costs transactions. 	<ul style="list-style-type: none"> • Analytical procedures on expenditure streams. • Detailed testing of expenditure transactions, focusing on the highest risk areas.
<p>3 Estimations and judgements</p> <p>There is a significant degree of estimation and judgement in the measurement and valuation of the Joint Board's pension liability which is an estimate based on information provided by management and actuarial assumptions.</p> <p>This subjectivity represents an increased risk of material misstatement in the financial statements.</p>	<ul style="list-style-type: none"> • Pension Fund valuation completed by a qualified actuary with the applicability of actuarial assumptions used reviewed by officers. 	<ul style="list-style-type: none"> • Review of the work of the actuary, including consideration of the appropriateness of the actuarial assumptions used. • Review of Joint Board's procedures for ensuring actuarial valuations provided are appropriate and include assumptions relating to relevant legal rulings. • Confirm pension valuations in actuarial report are correctly reflected within the 2020/21 accounts.
Wider dimension risks		
<p>4 Non-Domestic Rates (Scotland) Act 2020</p>	<ul style="list-style-type: none"> • The Act was originally due to be fully implemented by April 	<ul style="list-style-type: none"> • Monitor Scottish Government and Joint Board

	Audit Risk	Source of assurance	Planned audit work
	<p>The requirements of the Non-Domestic Rates (Scotland) Act 2020 has a direct increase on the statutory workload of the DABVJB.</p> <p>There is a risk that the DABVJB will be unable to meet the increased statutory workload due to insufficient resources.</p>	<p>2022 but Covid-19 has resulted in the full implementation being delayed.</p> <ul style="list-style-type: none"> The DABVJB has developed a Workforce Plan to assist in the delivery of the strategic objectives of the organisation. 	<p>updates on the implementation of the Act.</p> <ul style="list-style-type: none"> Monitor Joint Board performance reports on statutory activity.
5	<p>Scottish Parliamentary Elections</p> <p>Scottish Parliamentary Elections are scheduled for Thursday 6 May 2021. A substantial amount of work is required for this, and a significant increase in postal votes is expected due to Covid-19. There is a risk that this increased workload, and the associated costs, impacts on the other core activity of the DABVJB.</p>	<ul style="list-style-type: none"> The DABVJB's operational plans have been prepared to reflect the requirements of the 2021 elections. Additional funds have been provided by the Scottish Government to ease resource pressure associated with the elections. 	<ul style="list-style-type: none"> Monitor Joint Board updates on preparation for 2021 elections. Review budget monitoring reports to identify additional costs and income associated with the elections.

Source: Audit Scotland

8. International auditing standards require auditors to make a presumption of a risk of fraud in the recognition of income other than where there are circumstances that would allow this presumption to be rebutted. As the majority of the Joint Board's income is provided through funding from Argyll & Bute, East Dunbartonshire and West Dunbartonshire councils, or directly from the Scottish Government, we have concluded that there is no risk of material misstatement caused by fraud over income recognition and have therefore rebutted this presumption. As a result we do not plan to conduct any targeted audit procedures to address this risk.

Reporting arrangements

9. This audit plans, 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.

10. 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 relevant officers to confirm factual accuracy, prior to the issue and publication of final reports.

11. We will provide an independent auditor's report to the Joint Board and Accounts Commission setting out our opinions on the annual accounts. We will provide the Joint Board and Accounts Commission with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

Exhibit 2

2020/21 Audit outputs

Audit Output	Joint Board Date
Annual Audit Report	15 September 2021
Independent Auditor's Report	15 September 2021

Source: Audit Scotland

Audit fee

12. The agreed fee for the 2020/21 audit of Dunbartonshire and Argyll & Bute Valuation Joint Board is £7,610 (£7,450 in 2019/20). In determining the fee we have taken account of the risk exposure of DABVJB, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit.

13. Our audit approach assumes receipt of the unaudited annual accounts, with a complete working papers package on 18 June 2021. 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.

Responsibilities

Dunbartonshire and Argyll & Bute Valuation Joint Board and Treasurer

14. Audited bodies have 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.

15. The audit of the annual accounts does not relieve management or the DABVJB, as those charged with governance, of their responsibilities.

Appointed auditor

16. Our responsibilities as independent auditors are established by the Local Government (Scotland) Act 1973 and the Code of Audit Practice (including supplementary guidance), and are guided by the Financial Reporting Council's Ethical Standard.

17. Auditors in the public sector give an independent opinion on the financial statements and other information within the annual accounts. We also comment on the arrangements within the audited body to manage its performance, regularity, and use of resources. In doing this, we aim to support improvement and accountability.

Audit scope and timing

Annual accounts

18. The annual accounts, which include the financial statements, will be the foundation and source for most 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 Dunbartonshire and Argyll & Bute Valuation Joint Board and the associated risks which could impact on the financial statements
- assessing the key systems of internal control, and establishing how weaknesses in these systems could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how DABVJB will include these in the financial statements
- assessing the risks of material misstatement in the financial statements and 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.

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

- give a true and fair view of the state of affairs of the Joint Board as at 31 March 2021 and of the income and expenditure for the year
- the annual accounts have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21
- the annual accounts have been prepared in accordance with relevant legislation.

Other information in the annual accounts

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

Materiality

21. We apply the concept of materiality in planning and performing the 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.

22. We calculate materiality at different levels as described below. The calculated materiality values for DABVJB are set out in [Exhibit 3](#).



characteristics



responsibilities



principal activities



risks



governance arrangements

Exhibit 3

Materiality values

Materiality	Amount
Planning materiality: This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. It has been set at 1.5% of gross expenditure for the year ended 31 March 2020 based on the latest audited accounts.	£44,000
Performance materiality: 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.	£33,000
Reporting threshold: We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. This has been calculated at 3% of planning materiality and rounded to a memorable number.	£1,000



Source: Audit Scotland

Timetable

23. To support the efficient use of resources it is critical that a timetable is agreed with us for the production and audit of the annual accounts. The agreed timetable for the 2020/21 audit is shown at [Exhibit 4](#).

Exhibit 4

Annual accounts audit timetable

 Key stage	 Date
Consideration of unaudited annual accounts by those charged with governance	18 June 2021
Latest submission date of unaudited annual accounts with complete working papers package	30 June 2021
Latest date for final clearance meeting with Treasurer	27 August 2021
Agreement of audited unsigned annual accounts	1 September 2021
Issue of letter of representation, proposed independent auditor's report and proposed annual audit report for consideration at Joint Board meeting on 15 September 2021	1 September 2021
Meeting of the Joint Board to approve the audited annual accounts for signature by the Convenor of the Board, the Assessor and Electoral Registration Officer, and the Treasurer	15 September 2021
Presentation of Annual Audit Report to those charged with governance	15 September 2021
Independent auditor's report certified by appointed auditor	15 September 2021

Source: Audit Scotland

24. If issues arise during the course of the 2020/21 audit that mean it is not practical to certify the audited annual accounts in line with the audit timetable at [Exhibit 4](#), we will communicate this to the Joint Board at the earliest opportunity and agree a revised timetable for the completion of the audit.

Internal audit

25. International Auditing Standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible and as part of our planning process we carry out an annual assessment of the internal audit function at audited bodies.

26. Internal audit is provided by the internal audit section of West Dunbartonshire Council. Our assessment of the internal audit function concluded that it has sound documentation standards and reporting procedures in place and complies with the main requirements of the Public Sector Internal Audit Standards (PSIAS).

27. We will consider the work of internal audit as part of our audit and report relevant findings within our Annual Audit Report.

Audit dimensions

28. 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 accountability and value for money.

29. 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 the light of the relatively low volume, and lack of complexity, of the financial transactions, we plan to apply the small body provisions of the Code to the 2020/21 audit of the Dunbartonshire and Argyll & Bute Valuation Joint Board.

Independence and objectivity

30. Auditors appointed by the Accounts Commission or Auditor General 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. 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.

31. The engagement lead for the Dunbartonshire and Argyll & Bute Valuation Joint Board audit is Richard Smith, Senior Audit Manager. Auditing and ethical standards require the appointed auditor, Richard Smith, 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 Board.

Quality control

32. 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.

33. 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 supporting 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 Scotland (ICAS) have been commissioned to carry out external quality reviews.

34. 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 appointed auditor or to Audit Scotland's Audit Quality and Appointments group.

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