

West Dunbartonshire Council

Annual Audit Plan 2020/21



 AUDIT SCOTLAND

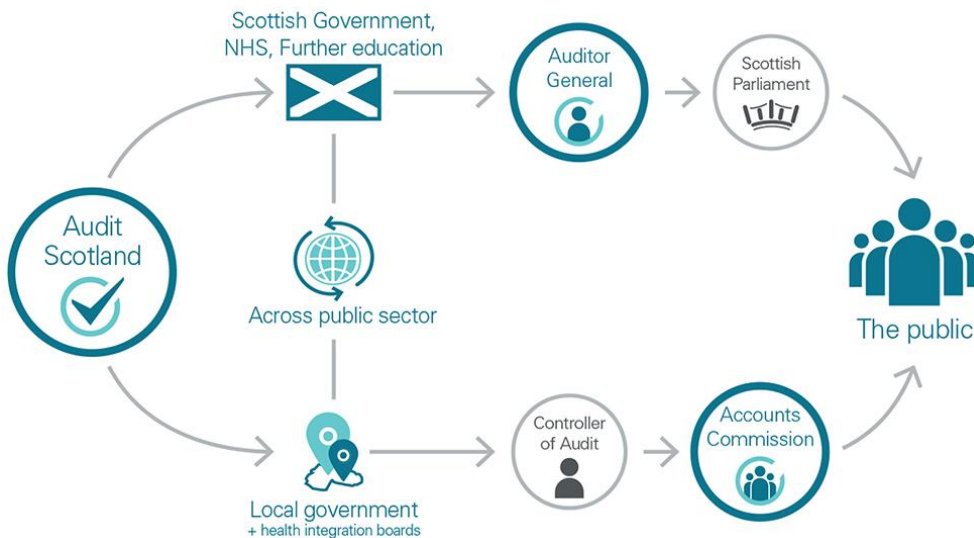
Prepared for West Dunbartonshire Council

10 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	12

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 including the audit of Best Value.

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 West Dunbartonshire Council 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 West Dunbartonshire Council 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 committee meetings and a review of supporting information we have identified the following significant audit risks for the council. 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 of West Dunbartonshire Council**

 Audit Risk	Source of management assurance	Planned audit work
Financial statement risks		
<p>1 Risk of material misstatement due to fraud caused by the management override of controls</p> <p>International Auditing Standards require that audits are planned to consider the risk of material misstatement in the financial statements caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of fraud due to the management override of controls.</p>	<ul style="list-style-type: none"> Owing to the nature of this risk, assurances from management are not applicable in this instance. 	<ul style="list-style-type: none"> Review of the Annual Governance Statement and the assurances obtained by the Section 95 officer in support of the statement. Detailed testing of journal entries. Review of accounting estimates. Focussed testing of accruals and prepayments. Evaluation of significant transactions that are outside the normal course of business.
<p>2 Risk of material misstatement caused by fraud in revenue recognition</p> <p>As set out in ISA (UK) 240, there is a presumed risk of fraud in the recognition of income.</p> <p>The extent and complexity of the council's funding streams means there is a risk that income may be misstated and result in a material misstatement in the financial statements.</p>	<ul style="list-style-type: none"> Majority of income received via electronic payment. Robust controls over income generation and receipting processes, including segregation of duties. Independent monitoring and review of suspense codes – including bank reconciliations. Normal budgetary control processes – reported monthly to Corporate Management Team (CMT) and departmental budget holders. 	<ul style="list-style-type: none"> Analytical procedures on significant income streams. Detailed testing of revenue transactions focussing on the areas of greatest risk. Review of budget monitoring reports focussing on significant budget variances.
<p>3 Risk of material misstatement caused by fraud in expenditure</p> <p>As most public-sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements.</p> <p>The extent and complexity of the council's expenditure means there is a risk that expenditure may be misstated and result in a material</p>	<ul style="list-style-type: none"> Robust controls over expenditure and payment processes, including segregation of duties. Independent monitoring and review of suspense codes – including bank reconciliations. Normal budgetary control processes – reported monthly to Corporate Management Team (CMT) and departmental budget holders. 	<ul style="list-style-type: none"> Analytical procedures on significant expenditure streams. Detailed testing of expenditure transactions, including cut-off testing, focussing on the areas of greatest risk. Audit testing of grants, including the sample testing of expenditure and housing benefit transactions.

 Audit Risk	Source of management assurance	Planned audit work
<p>misstatement in the financial statements.</p>	<ul style="list-style-type: none"> • Authorisation processes regarding transactions within the ledger – e.g. journals & creditor requests. • Fraud prevention arrangements including Involvement in the National Fraud Initiative. 	<ul style="list-style-type: none"> • Review of budget monitoring reports focussing on significant budget variances. • Audit work on the National Fraud Initiative matches.
<p>4 Estimation and judgements</p> <p>There is a significant degree of estimation and judgement in the measurement and valuation of some material account areas, including:</p> <ul style="list-style-type: none"> • Non-current asset values which rely on expert valuations and management assumptions. • The value of the council's pension liability which is an estimate based on information provided by management and actuarial assumptions. • The council's provisions for doubtful debts which are based on management's assessment of the recoverability of debts. • The value of other provisions which are based on management's assessment of the value and probability of potential future outflows. <p>This subjectivity represents an increased risk of misstatement in the financial statements.</p>	<ul style="list-style-type: none"> • Asset valuations completed by Royal Institute of Chartered Surveyors (RICS) qualified surveyors. • Pension Fund valuation completed by a qualified actuary with the applicability of actuarial assumptions used reviewed by Council officers. • Provision for doubtful debts based on aged-debt approach, incorporating prior year experience. • Other provisions calculations supported by clear evidence and / or robust assumptions. 	<ul style="list-style-type: none"> • Review of the work of the valuer, including focused substantive testing of the classification and valuation of assets. • Confirm asset values in valuation certificates are correctly reflected within the 2020/21 accounts. • Review of the work of the actuary, including consideration of the appropriateness of the actuarial assumptions used. • Review of council'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. • Review the provision for doubtful debts calculations to assess whether they are reasonable and complete based on the risk that the debt will not be recovered. • Review the basis for other provisions recognised, including detailed testing to source documentation where required.
<p>5 Covid-19 funding streams</p> <p>Councils are receiving additional funding to cover Covid-19 costs and are responsible for approving and distributing various grants and payments across almost 50 new funding streams.</p> <p>Due to the volume and complexity of the various schemes there is an increased risk of fraudulent claims</p>	<ul style="list-style-type: none"> • Developed assessment review and payment procedures in place to minimise the risk of fraudulent claims. • A full process has been developed for the additional streams of funding including: 	<ul style="list-style-type: none"> • Review Scottish Government and CIPFA/LASAAC guidance. • Review of the controls in place for the payment of grants, with emphasis on the business support grant payments. • Review of accounting treatment and disclosures in 2020/21 annual accounts to

	Audit Risk	Source of management assurance	Planned audit work
	<p>and payments. In addition, there is a risk that the funding streams are not properly accounted for and disclosed in the 2020/21 annual accounts.</p>	<ul style="list-style-type: none"> - detailed documentation of related correspondence; claim history; ledger coding; - process for identifying ACOP requirements for individual streams for appropriate reporting through the Financial Statements. 	<p>ensure this is consistent with relevant guidance.</p>
6	<p>Covid-19 financial flexibilities</p> <p>Councils are permitted to apply a range of financial flexibility options to mitigate some of the impact of Covid-19 during 2020/21 and 2021/22. These include flexibilities around:</p> <ul style="list-style-type: none"> • The use of capital receipts for revenue expenditure. • The accounting treatment of debt included in service concession arrangements. • Annual loans fund repayments. <p>Additional guidance is expected on how these items should be treated in the council's annual accounts and management has yet to determine whether they will opt to utilise any of the available financial flexibilities during 2020/21.</p> <p>The technical nature of these items presents a risk of a material misstatement in the financial statements.</p>	<ul style="list-style-type: none"> • Scottish Government/ CIPFA/LASAAC Guidance will be followed for treatment through Financial Statements. • Early and ongoing discussions with Audit Scotland to ensure full disclosure and explanations are provided and considered prior to implementation in the Financial Statements. Clear working papers will also be provided, with appropriate references to the guidance where relevant. 	<ul style="list-style-type: none"> • Review Scottish Government and CIPFA/LASAAC guidance. • Discussions with management during the year to consider the accounting treatment of any financial flexibilities utilised. • Review of accounting treatment and disclosures in 2020/21 annual accounts to ensure this is consistent with relevant guidance.
7	<p>Remuneration Report disclosures</p> <p>During 2020, the Council approved a restructuring of the corporate management team. As these changes were made midway through the 2020/21 financial year they will impact on the disclosures required within the financial statements.</p> <p>There is a risk that the appropriate disclosures, in line with the Local Authority Accounts (Scotland) Regulations 2014, are not made.</p>	<ul style="list-style-type: none"> • The Council's new structure has been fully implemented by the year end and the information for all relevant Chief Officers will be requested from the Pension Office and included within the Financial Statements. 	<ul style="list-style-type: none"> • Review of the remuneration report within the 2020/21 annual accounts to ensure that required information is disclosed for all relevant officers.

	Audit Risk	Source of management assurance	Planned audit work
8	<p>Untaken annual Leave accrual</p> <p>We have previously reported audit adjustments relating to the council's untaken annual leave accrual due to errors in the year-end calculation for the annual accounts.</p> <p>In 2020/21, there is an increased risk that any error in the calculation could result in a material misstatement. This is due to the council's revised policy for carrying forward leave during the Covid-19 pandemic, and the likelihood that this will result in staff having higher untaken leave balances at the year-end than in previous years.</p>	<ul style="list-style-type: none"> The procedures for calculating and reviewing the untaken annual leave accrual will be reviewed to ensure robust arrangements are in place for the 2020/21 annual accounts. 	<ul style="list-style-type: none"> Review of procedures put in place for the 2020/21 untaken annual leave accrual calculation. Review of the 2020/21 untaken annual leave accrual calculation during the financial statements audit.
Wider dimension risks			
9	<p>Services pressures created by Covid-19</p> <p>The Covid-19 pandemic continues to place significant pressure on the provision of council services.</p> <p>There is risk that the pressures caused by the pandemic will impact on the council's ability to meet its strategic objectives.</p>	<ul style="list-style-type: none"> Officers have, and will continue to, provided reports to Council on the impacts of Covid-19 on Council services. Reports on Strategic Objectives are provided to Elected Members at appropriate frequency. 	<ul style="list-style-type: none"> Ongoing monitoring of the council's performance reporting, and other reports and briefings on service impact of Covid-19. Review of annual performance report.
10	<p>Financial sustainability</p> <p>The Council has a projected funding gap of £5.751 million for 2021/22 and a cumulative gap of £12.747 million by 2022/23. At the time of writing this plan, the most up to date revenue position shows a projected annual adverse variance of £2.099 million. Of this projection, £2.102 million is due to the projected impact of Covid-19.</p> <p>Part of the council's budget pressures come from funding its high levels of borrowing.</p> <p>We also reported in 2019/20 that the Council's unearmarked balance of £2.752m was below its prudential target of £4.305 million.</p> <p>There is a risk that the council's financial position may not be sustainable in the long term.</p>	<ul style="list-style-type: none"> Budgetary control reporting to CMT, service committees and Council) – this includes monitoring of agreed cost reductions. Long-Term Financial Strategy will be reviewed to highlight updated funding gaps as 2021/22 progresses. The Budget setting report to Council provides a clear linkage between revenue and capital budgets. It considers affordability by including short, medium and long-term projections and highlights the peak expected cost of borrowing based on the current 10-year plan. 	<ul style="list-style-type: none"> Continue to monitor the financial position throughout the year and provide an update in the 2020/21 Annual Audit Report. Consider the long-term affordability of budget decisions, including any planned use of reserves. Ongoing assessment of the council's long-term financial strategy, including the assumptions used. Review of the longer-term financial impact of the Covid-19 pandemic.

	Audit Risk	Source of management assurance	Planned audit work
		<ul style="list-style-type: none"> Officers will provide members with options for cost reductions to allow them to make informed decisions going forward. 	
11	<p>Capital project delays</p> <p>Gross capital expenditure (including HRA) is projected to be significantly underspent against the original budget for 2020/21. The majority of this is due to the impact of Covid-19 and the ongoing restrictions on capital works.</p> <p>There is a risk that the council's ability to deliver against its strategic plan is affected by the delays and additional costs for investment and improvements to the asset base.</p>	<ul style="list-style-type: none"> Major capital investments are monitored and reviewed regularly at the Strategic Asset Management Group and subsequently by the Performance and Monitoring Group. Progress on all capital projects are reported regularly to Council and relevant Council Committees The use of the enhanced project management approach developed by the Capital Investment Team should produce better quality project plans and lower values of slippage/delay. 	<ul style="list-style-type: none"> On-going monitoring of capital budget plans and reports. Follow up of the 2017/18 Best Value Assurance Report recommendations and report an update in the 2020/21 Annual Audit Report.

Source: Audit Scotland

Grant claims and returns

8. The council is required to make various grant claims and returns to UK or Scottish Government departments. Such claims and returns require to be audited prior to submission. We will perform testing and provide audit certificates in accordance with guidance issued by Audit Scotland. We have planned for the following claims and returns for 2020/21:

- Housing benefit subsidy claim
- Non-domestic rates income return
- Education maintenance allowances return
- Whole of government accounts return

9. Where unexpected claims or returns are received, or supporting working papers are not adequate, a supplementary fee may be requested.

Reporting arrangements

10. This audit plan, the outputs set out at [Exhibit 2](#), and any other outputs on matters of public interest will be published on Audit Scotland's website: www.audit-scotland.gov.uk.

11. 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, prior to the issue and publication of final reports.

12. We will provide an independent auditor's report to West Dunbartonshire Council, and the Accounts Commission setting out our opinions on the annual accounts. We will also provide the Strategic Lead - Resources and the 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 Outputs	Target Date
Interim Management Report	16 June 2021
Independent Auditor's Report	29 October 2021 *
Annual Audit Report	29 October 2021 *

* The 2020/21 audit planning guidance sets a target sign-off deadline for all council audits as the end of October 2021, this date is subject to discussion with the council

Source: Audit Scotland


The audit of trusts registered as Scottish charities

13. The preparation and audit of financial statements of registered charities is regulated by the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006. The 2006 regulations require charities to prepare annual accounts and require an accompanying auditor's report. The Local Government (Scotland) Act 1973 specifies the audit requirements for any trust fund where some or all members of a council are the sole trustees.

14. Members of West Dunbartonshire Council are sole trustees for five trusts, registered as Scottish charities, with combined assets of £0.277 million. Based on our discussions with staff and initial planning work undertaken we have identified the audit risks detailed in [Exhibit 3](#).

Exhibit 3

Significant risks for the 2020/21 audit of trusts registered as Scottish charities

 Audit Risk	Source of management assurance	Planned audit work
Financial statement risks		
<p>1 Governance and investment documentation</p> <p>The Deed of Trust for the Dunbartonshire Educational Trust Scheme 1962 and UIE Award require to be updated.</p> <p>The governing documentation for the McAuley Prize for Mathematics</p>	<ul style="list-style-type: none"> Officers continue to work with other Councils involved in these Funds to reach a satisfactory conclusion. 	<ul style="list-style-type: none"> Continue to liaise with officers to establish progress with updating and replacing Deeds of Trust. Review updated Deeds of Trust. Provide an update on progress in 2020/21 Annual Audit Report.

	Audit Risk	Source of management assurance	Planned audit work
	is not available and a new trust deed required.		
2	Dormant Trusts Some of the trusts have been dormant for a number of years, with annual activity on all trusts minimal. There is a risk that the trusts are not meeting the requirement of public benefit.	<ul style="list-style-type: none"> Continue to liaise with Legal officers to establish progress against the plan to update and replace Deeds of Trust. 	<ul style="list-style-type: none"> Continue to liaise with officers and monitor the activity on trust funds. Provide an update on activity in 2020/21 Annual Audit Report.

Source: Audit Scotland

Audit fee

15. The agreed fee for the 2020/21 audit of West Dunbartonshire Council is £276,780 (£269,590 in 2019/20). The auditor remuneration element of the fee is £1,740 (1%) above the expected fee advised by Audit Scotland and reflects the scale of technical issues identified in the 2019/20 accounts that will require follow-up during 2020/21.

16. The agreed fee for the audit of the trusts registered as Scottish charities is £2,100 (audit fee also set at £2,100 in 2019/20).

17. 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 outwith our planned audit activity.

Responsibilities

Audit Committee and Strategic Lead - Resources

18. 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 that enable them to successfully deliver their objectives. In West Dunbartonshire Council the Strategic Lead - Resources is the proper officer (section 95 officer), with responsibility for the administration of financial affairs. The council has delegated responsibility for the oversight of internal and external audit to its Audit Committee.

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

Appointed auditor

20. 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.

21. 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

22. 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 West Dunbartonshire Council 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 West Dunbartonshire Council 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.

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

- the annual accounts give a true and fair view of the state of affairs of the council and 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

24. We also review and report on the management commentary, governance statement and remuneration report. We give an opinion on whether they 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 with the financial statements or our own knowledge of the audit.

Materiality

Materiality levels for the 2020/21 audit of West Dunbartonshire Council

25. 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 in forming our opinions in the independent auditor's report.



26. We calculate materiality at different levels as described below. The calculated materiality values for West Dunbartonshire Council are set out in [Exhibit 4](#).

Exhibit 4

Materiality levels for the 2020/21 audit of West Dunbartonshire Council

Materiality values	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% of gross expenditure for the year ended 31 March 2020 based on the latest audited accounts.	£4.676 million
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 50% of planning materiality.	£2.338 million
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 1% of planning materiality.	£0.050 million

Source: Audit Scotland

Materiality levels for the 2020/21 audit of trusts registered as Scottish charities



27. Planning materiality for the combined trust accounts has been set at £500 based on 2% of gross expenditure in the audited accounts for the year ended 31 March 2020, the latest audited accounts. We will also consider the impact on individual trusts when assessing the materiality of any errors identified as even where an error is not material to the combined trust accounts as a whole it may still be material to an individual trust.

Timetable

28. 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 proposed timetable for the 2020/21 annual accounts is included at [Exhibit 5](#).

Exhibit 5

Annual accounts audit timetable

 Key Stage	 Date
Consideration of unaudited annual accounts by the Council	23 June 2021
Latest submission date for unaudited annual accounts with complete working papers package	30 June 2021
Latest date for final clearance meeting with Strategic Lead - Resources	8 October 2021
Issue of letter of representation, proposed independent auditor's report and annual audit report	15 October 2021
Agreement of audited unsigned annual accounts	15 October 2021
Presentation of annual audit report to those charged with governance	To be agreed*
Meeting of the Council to approve the audited annual accounts for signature by the Leader of the Council, Chief Executive and Section 95 Officer	To be agreed*
Independent auditor's report certified by appointed auditor	29 October 2021

* See paragraph 29 below

Source: Audit Scotland

29. The 2020/21 audit planning guidance sets sign-off deadlines for all local government audits of the end of October 2021 and the dates included at [Exhibit 5](#) are based on this deadline. If issues arise during the course of the audit that mean this is not practical (i.e. impact of Covid-19 on the production or audit of accounts), then we will communicate this to the council at the earliest opportunity available and agree a revised timetable for the completion of the audit. Likewise, if audit resources would enable an earlier sign-off of the 2020/21 annual accounts this will also be discussed and agreed with the council.

Internal audit

30. 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.

31. The internal audit function at West Dunbartonshire Council is provided by its in-house internal audit team. 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).

Using the work of internal audit

32. In respect of our wider dimension audit responsibilities we plan to consider internal audit's work in the following areas:

- Corporate Procurement – up to £50k spend
- Pupil Equity funding
- IHMS – Inventory Management.

Audit dimensions

33. Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 5](#). Our conclusions on the four dimensions will contribute to an overall assessment and assurance on best value.

Exhibit 5 Audit dimensions



Financial management

34. Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. We will review, conclude and report on:

- the effectiveness of the budgetary control system in communicating accurate and timely financial performance
- whether financial capacity and skills are adequate
- whether appropriate and effective arrangements for internal control and the prevention and detection of fraud and corruption have been established, including any changes to these controls as a result of Covid-19.

Financial sustainability

35. 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 council's financial sustainability. We will carry out work and conclude on the following areas:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long term
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps
- the longer-term financial impact of the Covid-19 pandemic
- monitoring the arrangements put in place by the council to minimise any disruption resulting from the UK's withdrawal from the European Union.

Governance and transparency

36. Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information. We will review, conclude and report on:

- whether there is effective scrutiny, challenge and transparency on the decision-making and finance and performance reports
- the quality and timeliness of financial and performance reporting
- whether governance arrangements are appropriate and operating effectively, including consideration of revised governance arrangements resulting from Covid-19.

Value for money

37. Value for money refers to using resources efficiently and effectively and continually improving services. We will review, conclude and report on whether the council can demonstrate value for money in the use of resources and improved outcomes for residents.

Best Value

38. The Accounts Commission agreed the overall framework for a new approach to auditing Best Value in June 2016. A Best Value Assurance Report (BVAR) for each council will be considered by the Accounts Commission at least once in a five-year period.

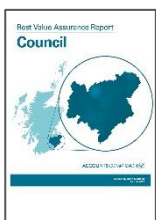
39. During 2017/18 a Best Value review of the council was completed. The [West Dunbartonshire Council BVAR](#) was published in June 2018. Our best value work this year will focus on following up on the progress against the recommendations from the BVAR. The results of this work will be reported in our 2020/21 Annual Audit Report.

40. The four councils on which a BVAR will be published during the fifth year of the new approach are listed in [exhibit 7](#). Reports will be considered by the Accounts Commission in the 2021.

41. The four councils on which a BVAR will be published during the fifth year of the new approach are listed in [Exhibit 6](#). The reports on these councils will be considered by the Accounts Commission in the period between March and November 2021.

Exhibit 6

2020/21 Best Value Assurance Reports

	Aberdeen City Council	Falkirk Council
	East Dunbartonshire Council	South Ayrshire Council

Source: Audit Scotland

Independence and objectivity

42. Auditors appointed by the 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. 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.

43. The appointed auditor for West Dunbartonshire Council is Fiona Mitchell-Knight, Audit Director. The appointed auditor for the charitable trusts is Richard Smith, 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 West Dunbartonshire Council or the charitable trusts.

Quality control

44. International Standard on Quality Control (UK and Ireland) 1 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.

45. 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.

46. 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.

West Dunbartonshire Council

Annual Audit Plan 2020/21

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