

# Clyde Valley Learning and Development Joint Committee Annual Audit Plan



 AUDIT SCOTLAND

Prepared for Clyde Valley Learning and Development Joint Committee  
March 2024

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# Introduction

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## Summary of planned audit work

1. I, Pauline Murray, have been appointed by the Accounts Commission as external auditor of Clyde Valley Learning and Development Joint Committee (the Joint Committee) for the period from 2022/23 until 2026/27. The 2023/24 financial year is therefore the second of my five-year audit appointment. A brief biography of the audit team is provided at [Appendix 1](#).

2. This document summarises the work plan for my 2023/24 audit. The main elements of the audit include:

- an audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement
- an audit opinion on other statutory information published with the financial statements in the annual accounts, including the Management Commentary, the Annual Governance Statement, and the Remuneration Report
- consideration of arrangements in relation to financial sustainability and the appropriateness of the disclosures in the Governance Statement
- provision of an Independent Auditor's Report expressing my opinions on the different elements of the annual accounts and an Annual Audit Report.

## Respective responsibilities of the auditor and Audited Body

3. The [Code of Audit Practice](#) sets out in detail the respective responsibilities of the auditor and the Joint Committee. Key responsibilities are summarised below.

### Auditor responsibilities

4. My responsibilities as appointed auditor are established by the Local Government (Scotland) Act 1973 and the Code of Audit Practice (including [supplementary guidance](#)) and guided by the Financial Reporting Council's Ethical Standard.

5. Auditors in the public sector give an independent opinion on the financial statements and other information within the annual accounts. We also review and report on the wider scope arrangements in place at the Joint Committee. In doing this, we aim to support improvement and accountability.

## **Clyde Valley Learning and Development Joint Committee responsibilities**

**6.** The Joint Committee is responsible for maintaining adequate accounting records and internal controls, and preparing financial statements for audit that give a true and fair view. They are also required to produce other reports in the annual accounts in accordance with statutory requirements.

**7.** The Joint Committee has 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 deliver their objectives.

### **Adding Value**

**8.** My team and I aim to add value by tailoring audit work to the circumstances of the Joint Committee and the audit risks identified; being constructive and forward looking; providing independent conclusions; attending meetings of the Joint Committee; and by recommending and encouraging good practice. In so doing, we will help the Joint Committee promote improved standards of governance, better management and decision making, and more effective use of resources.

# Annual accounts

## Introduction

**9.** The annual accounts are an essential part of demonstrating the Joint Committee's stewardship of resources and its performance in the use of those resources.

**10.** As appointed auditor, I am required to perform an audit of the financial statements, consider other information within the annual accounts, and express a number of audit opinions in an Independent Auditor's Report in accordance with International Standards on Auditing (ISAs) in the UK, Practice Note 10 from the Public Audit Forum which interprets the ISAs for the public sector, and guidance from Audit Scotland.

**11.** My team and I focus our work on the areas of highest risk. As part of our planning process, we perform a risk assessment highlighting the audit risks relating to each of the main financial systems relevant to the production of the financial statements.

## Materiality

**12.** The concept of materiality is applied by auditors in planning and performing the audit, and in evaluating the effect of any uncorrected misstatements on the financial statements. I am required to plan my audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement.

### Materiality levels for the 2023/24 audit

**13.** We assess materiality at different levels as described in [Exhibit 1](#). The materiality values for the Joint Committee are set out in [Exhibit 1](#).

## Exhibit 1

### 2023/24 Materiality levels for the Joint Committee

Materiality	Amount
<b>Planning materiality</b> – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. Materiality has been set based on our assessment of the needs of the users of the financial statements and the nature of the Joint Committee's operations. For the year ended 31 March 2024, we have set our materiality at 2% of gross expenditure based on the audited financial statements for 2022/23.	£1,600
<b>Performance materiality</b> – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality,	£1,200

this could indicate that further audit procedures are required. Using our professional judgement, we have assessed performance materiality at 75% of planning materiality.

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<b>Reporting threshold (i.e. clearly trivial)</b> – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount.	£80
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Source: Audit Scotland

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## Significant risks of material misstatement to the financial statements

**14.** Our risk assessment draws on our cumulative knowledge of the Joint Committee, its major transaction streams, key systems of internal control, and risk management processes. It is informed by our discussions with management, meetings with internal audit, attendance at committees, and a review of supporting information.

**15.** Audit risk assessment is an iterative and dynamic process. Our assessment of risks set out in this plan may change as more information and evidence becomes available during the progress of the audit. Where such changes occur, we will advise management, and where relevant, report them to those charged with governance.

**16.** Based on our risk assessment process, we identified the following significant risks of material misstatement to the financial statements. These are risks which have the greatest impact on our planned audit procedures. [Exhibit 2](#) summarises the nature of the risks, management's sources of assurance over these risks, and the further audit procedures we plan to perform to gain assurance over the risks.

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### Exhibit 2

#### 2023/24 Significant risks of material misstatement to the financial statements

Significant risk of material misstatement	Management's sources of assurance	Planned audit response
<p><b>1. Risk of material misstatement due to fraud caused by management override of controls</b></p> <p>As stated in ISA (UK) 240, management is in a unique position to perpetrate fraud</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance</p>	<ul style="list-style-type: none"> <li>• Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.</li> <li>• Test journals at the year-end and post-closing entries and focus on significant risk areas.</li> <li>• Consider the need to test journal entries and other adjustments throughout the year.</li> <li>• Evaluate significant transactions outside the normal course of business.</li> </ul>

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Significant risk of material misstatement	Management's sources of assurance	Planned audit response
because of management's ability to override controls that otherwise appear to be operating effectively.		<ul style="list-style-type: none"> <li>• Assess the adequacy of controls in place for identifying and disclosing related party relationship and transactions in the financial statements.</li> <li>• Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year.</li> </ul>

Source: Audit Scotland

**17.** As set out in ISA (UK) 240: *The auditor's responsibilities relating to fraud in an audit of financial statement*, there is a presumed risk of fraud over the recognition of revenue. There is a risk that revenue may be misstated resulting in a material misstatement in the financial statements.

**18.** We have rebutted this risk as funding received from member councils is clearly communicated. In addition, we have concluded there is limited opportunity or incentive to manipulate the recognition of income in the financial statements.

**19.** In line with Practice Note 10: *Audit of financial statements and regularity of public sector bodies in the United Kingdom*, as most public-sector bodies are net spending bodies, the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk relating to revenue recognition.

**20.** We have rebutted this risk as the main expenditure streams of the Joint Committee can be readily forecast based on a predictable pattern of spend. We also consider there to be limited incentive and opportunity for the manipulation of expenditure recognition in the financial statements.

**21.** We have not, therefore, incorporated specific work into our audit plan in these areas over and above our standard audit procedures.

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# Wider Scope and Best Value

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## Introduction

**22.** Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector. [Code of Audit Practice](#) sets out the four areas that frame the wider scope of public sector audit. These are financial management; financial sustainability; vision, leadership and governance; use of resources to improve outcomes. The Code of Audit Practice requires auditors to consider the adequacy of the arrangements in place for the wider scope areas in audited bodies.

**23.** The Code of Audit Practice includes a provision relating to the audit of less complex bodies. In light of the limited volume and lack of complexity of the financial transactions and its low-risk nature, we plan to apply the less complex body provision of the Code to the 2023/24 audit of the Joint Committee.

**24.** 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 annual governance statement and the financial sustainability of the body and its services. We will report on these areas in our 2022/23 Annual Audit Report.

## Wider scope risks

**25.** Our risk assessment has not identified any wider scope risks for 2023/24.

## Best Value

**26.** Auditors have a duty to be satisfied that bodies that fall within section 106 of the Local Government (Scotland) Act 1973 have made proper arrangements to secure Best Value. We will consider how the Joint Committee demonstrates that it is meeting its Best Value responsibilities and we will report our findings as part of our Annual Audit Report.



# Reporting arrangements, timetable, and audit fee

## Reporting arrangements

**27.** Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft reports will be shared with the relevant officers to confirm factual accuracy.

**28.** We will provide:

- an Independent Auditor's Report to the Joint Committee and the Accounts Commission setting out our opinions on the annual accounts
- the Joint Committee and the Accounts Commission with an Annual Audit Report containing observations and recommendations on significant matters which have arisen during the audit.

**29.** [Exhibit 3](#) outlines the target dates for our audit outputs set by the Accounts Commission. In determining the target reporting date, due regard is paid to the dates for approving the annual accounts set out in regulations of 30 September 2024.

**30.** We plan to issue our Independent Auditor's Report and Annual Audit Report by the target date.

## Exhibit 3 2023/24 Audit outputs

Audit Output	Target date	Joint Committee Date
Annual Audit Plan	31 March 2024	To be circulated to members prior to 31 March 2024
Independent Auditor's Report	30 September 2024	09 September 2024
Annual Audit Report	30 September 2024	09 September 2024

Source: Audit Scotland



**31.** All Annual Audit Plans and the outputs detailed in [Exhibit 3](#), and any other outputs on matters of public interest, will be published on our website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

## Timetable

**32.** To support an efficient audit, it is critical that the timetable for producing the annual accounts for audit is achieved. We have included a proposed timetable for the audit at [Exhibit 4](#) that has been discussed with management.

**33.** We will continue to work closely with management to identify the most efficient approach as appropriate and will keep timeframes and logistics for the completion of the audit under review. Progress will be discussed with management and finance officers over the course of the audit.

### Exhibit 4 Proposed annual accounts timetable

 Key stage	 Provisional Date
Consideration of the unaudited annual accounts by those charged with governance	10 June 2024
Latest submission date for the receipt of the unaudited annual accounts with complete working papers package	By 30 June 2024
Latest date for final clearance meeting with the Treasurer	19 August 2024
Issue of draft Letter of Representation and proposed Independent Auditor's Report	By 21 August 2024
Agreement of audited and unsigned annual accounts	09 September 2024
Issue of Annual Audit Report to those charged with governance	09 September 2024
Signed Independent Auditor's Report	By 30 September 2024

Source: Audit Scotland

## Audit fee

**34.** In determining the audit fee, we have taken account of the risk exposure of the Joint Committee and the planned management assurances in place. Fee levels are also impacted by inflation which increases the cost of audit delivery. The audit fee for 2023/24 is £2,410 as set out in [Exhibit 5](#).

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**Exhibit 5****Audit fees (including VAT)**

<b>Fee component</b>	<b>Fees (£)</b>
External Auditor Remuneration	14,660
Pooled costs	530
Sectoral Cap Adjustment	(12,780)
<b>2023/24 Audit fee</b>	<b>2,410</b>

Source: Audit Scotland

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**35.** In setting the fee for 2023/24, we have assumed that the Joint Committee has effective governance arrangements and will prepare a comprehensive and accurate set of annual accounts for audit in line with the agreed timetable for the audit. The audit fee assumes there will be no major change in respect of the scope of the audit during the year and where our audit cannot proceed as planned, a supplementary fee may be levied.

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# Other matters

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## Independence and objectivity

**36.** I am independent of the Joint Committee in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. This standard imposes stringent rules to ensure the independence and objectivity of auditors.

**37.** Audit Scotland has robust arrangements in place to ensure compliance with Ethical Standard including an annual *'fit and proper'* declaration for all members of staff. The arrangements are overseen by the Executive Director of Innovation and Quality, who serves as Audit Scotland's Ethics Partner.

**38.** The Ethical Standard requires auditors to communicate any relationships that may affect the independence and objectivity of the audit team. I am not aware of any such relationships pertaining to the audit of the Joint Committee.

## Audit Quality

**39.** Audit Scotland is committed to the consistent delivery of high-quality public audit. Audit quality requires ongoing attention and improvement to keep pace with external and internal changes. A document explaining the arrangements for providing assurance on the delivery of high-quality audits is available from the [Audit Scotland website](#).

**40.** The International Standards on Quality Management (ISQM) applicable to Audit Scotland for 2023/24 audits are:

- ISQM (UK) 1 which deals with an audit organisation's responsibilities to design, implement and operate a system of quality management (SoQM) for audits. Our SoQM consists of a variety of components, such as: our governance arrangements and culture to support audit quality, compliance with ethical requirements, ensuring we are dedicated to high-quality audit through our engagement performance and resourcing arrangements, and ensuring we have robust quality monitoring arrangements in place. Audit Scotland carries out an annual evaluation of our SoQM and has concluded that we comply with this standard.
- ISQM (UK) 2 which sets out arrangements for conducting engagement quality reviews, which are performed by senior management not involved in the audit to review significant judgements and conclusions reached by the audit team, and the appropriateness of proposed audit opinions of high-risk audit engagements.

**41.** To monitor quality at an individual audit level, Audit Scotland also carries out internal quality reviews of a sample of audits. Additionally, the Institute of

Chartered Accountants of England and Wales (ICAEW) carries out independent quality reviews.

**42.** Actions to address deficiencies identified by internal and external quality reviews are included in a rolling Quality Improvement Action Plan which is used to support continuous improvement. Progress with implementing planned actions is regularly monitored by Audit Scotland's Quality and Ethics Committee.

**43.** Audit Scotland may periodically seek your views on the quality of our service provision. The team would also welcome feedback more informally at any time.

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# Appendix 1: Your audit team

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The audit team involved in the audit of the Joint Committee have significant experience in public sector audit.

Pauline Murray  
Senior Audit Manager  
[pmurray@audit-scotland.gov.uk](mailto:pmurray@audit-scotland.gov.uk)

Pauline has over 15 years of public sector audit experience and has delivered external audit services to a range of bodies including local authorities, health boards and central government bodies.

Donna Rigby  
Auditor  
[drigby@audit-scotland.gov.uk](mailto:drigby@audit-scotland.gov.uk)

Donna has 4 years of experience in delivering audits. Donna will complete the majority of the audit work, and work alongside the Senior Audit Manager to deliver the audit.

**44.** The local audit team is supported by a specialist technical accounting team, all of whom have significant experience of public bodies and work with accounting regulatory bodies.

# Clyde Valley Learning and Development Joint Committee

## Annual Audit Plan 2023/24

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

[www.audit-scotland.gov.uk/accessibility](http://www.audit-scotland.gov.uk/accessibility)

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