

Clyde Valley Learning and Development Joint Committee

Annual Audit Plan 2021/22



 AUDIT SCOTLAND

Prepared for Clyde Valley Learning and Development Joint Committee

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Introduction

Summary of planned audit work

1. This document summarises the work plan for our 2021/22 external audit of Clyde Valley Learning and Development Joint Committee (the Joint Committee). The main elements of our work include:

- an audit of the annual accounts and provision of an Independent Auditor's Report
- an audit opinion on the other statutory information published within the annual accounts including the Management Commentary, the Governance Statement and, the Remuneration Report
- consideration of the arrangements in relation to the audit dimensions: financial management, financial sustainability, governance and transparency and value for money that frame the wider scope of public sector audit

Impact of Covid-19

2. The coronavirus (Covid-19) pandemic has had a significant impact on public services and public finances, and the effects will be felt well into the future.

3. The Auditor General for Scotland, the Accounts Commission and Audit Scotland continue to assess the risks to public services and finances from Covid-19 across the full range of our audit work, including annual audits and the programme of performance audits. The well-being of audit teams and the delivery of high-quality audits remain paramount. Changes in our approach may be necessary and where this impacts on annual audits, revisions to this Annual Audit Plan may be required.

Adding value

4. We aim to add value to the Joint Committee 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 will help the Joint Committee promote improved standards of governance, better management and decision making and more effective use of resources. Additionally, we attend meetings held by the Joint Committee and actively participate in discussions.

Respective responsibilities of the auditor, the Joint Committee and Treasurer

5. The [Code of Audit Practice \(2016\)](#) sets out in detail the respective responsibilities of the auditor, the Joint Committee and Treasurer. Key responsibilities are summarised below.

Auditor responsibilities

6. Our responsibilities as independent auditors 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.

7. 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 arrangements within the Joint Committee to manage its performance and use of resources. In doing this, we aim to support improvement and accountability.

The Joint Committee and Treasurer responsibilities

8. The Joint Committee and Treasurer are responsible for maintaining accounting records and preparing annual accounts that give a true and fair view.

9. The Joint Committee and Treasurer have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance and propriety that enable the Joint Committee to deliver its objectives.

Managing the transition to 2022/23 audits

10. Audit appointments are usually for five years but were extended to six years due to Covid-19. 2021/22 is the final year of the current appointment and we will work closely with our successors to ensure a well-managed transition.

Annual accounts audit planning

Materiality

11. Materiality is an expression of the relative significance of a matter in the context of the annual accounts. We are required to plan our audit to determine with reasonable confidence whether the annual accounts 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 2021/22 audit

12. The materiality levels for the Joint Committee are set out in [exhibit 1](#).

Exhibit 1

2021/22 materiality levels for the Joint Committee

Materiality levels	Amount
Planning materiality – This is the figure we calculate to assess the overall impact of audit adjustments on the annual accounts. It has been set at 2% of gross expenditure based on the latest audited annual accounts for 2020/21.	£1,900
Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the annual accounts audit exceeds performance materiality, this would indicate that further audit procedures should be considered. Using our professional judgement, we have assessed performance materiality at 75% of planning materiality and rounded it down to the nearest hundred.	£1,400
Reporting threshold – 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

Significant risk of material misstatement to the annual accounts

13. Our risk assessment draws on our cumulative knowledge of the Joint Committee, its major transaction streams, and risk management processes. Also, it is informed by our discussions with management, attendance at committees and a review of supporting information.

14. Based on our risk assessment process, we identified the following significant risk of material misstatement to the annual accounts. This risk has the greatest impact on our planned audit procedures. [Exhibit 2](#) summarises the nature of the

risk, the sources of assurance from management arrangements and the further audit procedures we plan to perform to gain assurance over the risk.

Exhibit 2

2021/22 significant risk of material misstatement to the annual accounts

Significant risk of material misstatement	Sources of management assurance	Planned audit response
<p>1. Risk of management override of controls</p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</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"> 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. Test journals at the year-end and post-closing entries and focus on significant risk areas. We will assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year. Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year.

Source: Audit Scotland

15. Based on our assessment of the likelihood and magnitude of risk, we have assessed that there are currently no other risks of material misstatement for the 2021/22 audit of the Joint Committee. We will keep this under review as our audit progresses. If our assessment of risk changes and we consider risks identified to be significant, we will communicate this to management and those charged with governance and revise our planned audit approach accordingly.

Consideration of the risks of fraud in the recognition of income and expenditure

16. As set out in International Standard on Auditing (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 income. There is a risk that income may be misstated resulting in a material misstatement in the annual accounts. We have rebutted this risk for the Joint Committee because all funding is received from Local Government member authorities. This income stream is deemed to represent a low fraud risk.

17. 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 income recognition. We have rebutted this risk for the Joint Committee because there is no history of fraud in this area, and most of the expenditure relates to a recharge to the administering authority. This expenditure stream is deemed to represent a low risk of being materially misstated due to fraud.

18. We have not, therefore, incorporated specific work into our audit plan in these areas over and above our standard audit procedures. Our audit testing will maintain an oversight of any unusual transactions or accounting entries

Audit risk assessment process

19. 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.

Audit dimensions

Introduction

20. The [Code of Audit Practice](#) sets out the four dimensions that frame the wider scope of public sector audit. These are: financial management, financial sustainability, governance and transparency and value for money.

Audit dimensions

21. The Code of Audit Practice includes a provision relating to the audit of small audited bodies. In the light of the limited volume and lack of complexity of the financial transactions and its low-risk nature, we plan to apply the small audited body provision of the Code to the 2021/22 audit of the Joint Committee.

22. 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 2021/22 Annual Audit Report.

Audit dimension risks

23. Our risk assessment has not identified any audit dimension risks for 2021/22.

Reporting arrangements, timetable, and audit fee

Reporting arrangements

24. Audit reporting is the visible output for the annual audit. All Annual Audit Plans and the outputs, as detailed in [exhibit 3](#), and any other outputs on matters of public interest will be published on our website: www.audit-scotland.gov.uk.

25. 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.

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

27. [Exhibit 3](#) outlines the target dates for our audit outputs, and we aim to issue the Independent Auditor's Report by the statutory deadline of 31 October 2022. We acknowledge this will be challenging due to the ongoing pressures and uncertainties caused by Covid-19. Due to the May 2022 Local Government elections, the committee dates from June 2022 onwards are yet to be finalised. However, our audit work has been scheduled to ensure the planned statutory deadline is met.

Exhibit 3

2021/21 audit outputs

Audit Output	Audit Scotland target date	Joint Committee Date
Annual Audit Plan	31 March 2022	21 February 2022
Independent Auditor's Report	31 October 2022	TBC
Annual Audit Report	31 October 2022	TBC

Source: Audit Scotland

Timetable

28. 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.

29. Covid-19 has had a considerable impact on the conduct and timeliness of the audit. We recognise that it is in the best interests of public accountability to get the reporting of audited accounts back to pre-pandemic timelines. To this end, 2021/22 is a transition year with the reporting deadline brought forward by one month relative to the two prior years. We are identifying ways to work more efficiently to expedite the 2021/22 audits whilst at the same time maintaining high standards of quality.

30. We will continue to work in close partnership with management with clarity over timescales and the requirement for high quality unaudited accounts and supporting working papers. 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	By 30 June 2022
Latest submission date for the receipt of the unaudited annual accounts with complete working papers package.	By 30 June 2022
Latest date for final clearance meeting with the Treasurer	TBC
Issue of Letter of Representation and proposed Independent Auditor's Report	TBC
Agreement of audited and unsigned annual accounts	TBC
Issue of Annual Audit Report to those charged with governance.	TBC
Signed Independent Auditor's Report	By 31 October 2022

Source: Audit Scotland

Audit fee

31. The agreed audit fee for the 2021/22 audit of the Joint Committee is £2,020 (2020/21: £1,960). In determining the audit fee, we have taken account of the risk exposure of the Joint Committee, the planned management assurances in place.

32. Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual accounts, the absence of adequate supporting working papers, 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.

Other matters

Independence and objectivity

33. Auditors appointed by the Auditor General for Scotland or Accounts Commission must comply with the [Code of Audit Practice](#) and relevant supporting guidance. When auditing the annual accounts, 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.

34. The engagement lead for Clyde Valley Learning and Development Joint Committee is Andrew Kerr, 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 the Joint Committee.

Quality control

35. International Standard on Quality Control (UK) 1 (ISQC1) requires a system of quality control to be 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.

36. 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.

37. 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

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