

Clyde Valley Learning and Development Joint Committee

Annual Audit Plan 2016/17



Prepared for Clyde Valley Learning and Development Joint Committee

February 2017

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
Introduction	4
Audit risks	4
Reporting arrangements	5
Audit fee	5
Responsibilities	5
Audit scope and timing	7
Financial statements	7
Audit dimensions	8
Independence and objectivity	9
Quality control	10

Risks and planned work

Introduction

1. This annual audit plan contains an overview of the planned scope and timing of our audit of the Clyde Valley Learning and Development Joint Committee (CVLDJC). Our audit is carried out in accordance with International Standards on Auditing (ISAs) and the [Code of Audit Practice](#) issued by Audit Scotland and endorsed by the Accounts Commission.

2. This plan sets out the audit work necessary to allow us to provide an independent auditor's report and meet the wider scope requirements of public sector audit. The wider scope of public sector audit includes assessing arrangements for financial sustainability, governance and transparency and value for money. We make a public report of conclusions on these matters in our annual audit report to members and the Controller of Audit.

Audit risks

3. Based on our discussions with staff and a review of supporting information we have identified the following main risk areas for CVLDJC. We have categorised these risks into financial risks and wider dimension risks. The key audit risks, which require specific audit testing, are set out in [Exhibit 1](#).

Exhibit 1

Audit Risk	Management assurance	Planned audit work
Financial statement issues and risks		
<p>1 Risk of 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.</p>	<ul style="list-style-type: none"> Owing to the nature of this risk, assurances from management are not applicable. 	<ul style="list-style-type: none"> Review of journal entries. Testing of accruals and prepayments.
Wider dimension risks		
<p>2 Financial sustainability</p> <p>CVLDJC relies on contributions from the partner councils each financial year.</p> <p>There is a risk that in future years the Joint Committee will no longer be able to secure the same level of funding from participating councils.</p>	<ul style="list-style-type: none"> Commitment of participating councils to the CVLDJC forward programme. 	<ul style="list-style-type: none"> Review budget and funding arrangements for 2017/18 programme. Consider pattern of demand for training from partner councils.

Reporting arrangements

4. This annual audit plan and 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.
5. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft reports will be issued to the relevant officer(s) to confirm factual accuracy prior to the issue and publication of final reports
6. We will provide an independent auditor's report to the Joint Committee and the Accounts Commission setting out our opinion on the financial statements and other matters upon which we are required to provide an opinion. We will provide the section 95 officer and the Controller of Audit with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the course of the audit.

Exhibit 2 2016/17 Audit outputs

Audit Output	Target date	Joint Committee meeting date
Annual audit report	29 September 2017**	tbc*
Issue of independent auditor's report	29 September 2017**	tbc*

* Programme of committee meetings beyond Local Government elections in May still to be determined.

** These dates represent the certification deadline for the 2016/17 accounts. However, we will agree an audit timetable to report the findings from the audit to those charged with governance prior to the certification of the annual accounts.

Audit fee

7. The agreed audit fee for the 2016/17 audit of CVLDJC is £1,790. In determining the audit fee we have taken account of the risk exposure of CVLDJC, the planned management assurances in place, and the level of reliance we plan to take from the work of internal audit.
8. Where our audit cannot proceed as planned through, for example, late receipt of unaudited financial statements, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises outwith our planned audit activity.

Responsibilities

Joint Committee and section 95 officer

9. The Joint Committee and section 95 officer are responsible for ensuring the proper financial stewardship of public funds, compliance with relevant legislation, and establishing effective arrangements for governance and scrutiny.
10. The audit of the financial statements does not relieve management or the Joint Committee of their responsibilities.

Appointed auditor

11. Our responsibilities as independent auditor are established by the Local Government (Scotland) Act 1973, Audit Scotland's Code of Audit Practice, and the auditing profession's ethical guidance.

Audit scope and timing

Financial statements

12. The statutory financial statements audit will be the foundation and source of much of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:

- understanding the business of CVLDJC and the associated risks which could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how CVLDJC will include these in the financial statements
- assessing the risks of material misstatement in the financial statements
- determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.

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

- give a true and fair view of the state of the affairs of CVLDJC and of the income and expenditure for the year
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union and interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and the Local Authority Accounts (Scotland) Regulations 2014.



characteristics



responsibilities



principal activities



risks



governance arrangements

Materiality

14. Materiality defines the maximum error that we are prepared to accept and still conclude that that our audit objective has been achieved. It helps assist our planning of the audit and allows us to assess the impact of any audit adjustments to the financial statements. We calculate materiality at different levels as described below. The calculated materiality values for CVLDJC are set out in [Exhibit 3](#).

Exhibit 3

Materiality values

Materiality level	Amount
Planning materiality - This is the figure we use in assessing the overall impact of potential audit adjustments to the financial statements. It has been set at 1% of gross expenditure for the year ended 31 March 2016.	£2,000
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 set performance materiality at 50% of planning materiality.	£1,000
Reporting threshold - We are required to report to those charged with governance all unadjusted misstatements in excess of a predetermined reporting threshold. We consider that an appropriate figure of interest to members would be £500.	£500

15. Items can be material by nature, rather than value; for example, a failure to comply with legislation. We review other information published with the financial statements including the management commentary, annual governance statement and the remuneration report. We will report to the Joint Committee as necessary.

Timetable

16. An agreed timetable is included at [Exhibit 4](#) which takes account of submission requirements and Joint Committee meeting dates, although meeting dates for the Joint Board will not be confirmed until after the local government elections in May.

Exhibit 4

Financial statements timetable

 Key stage	 Date
Latest submission date of unaudited financial statements with complete working papers package	30 June 2017
Latest date for final clearance meeting	tbc*
Latest date for agreement of audited unsigned financial statements; Issue of Annual Audit Report	29 September 2017**
Latest date for issue of Independent Auditor's Report	29 September 2017**

* Programme of committee meetings beyond Local Government elections in May still to be determined.

** These dates represent the certification deadline for the 2016/17 accounts. However, we will agree an audit timetable to report the findings from the audit to those charged with governance prior to the certification of the annual accounts.

Audit dimensions

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

Exhibit 5

Audit dimensions



Financial sustainability

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

Financial management

19. 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 whether there were adequate arrangements in place during the year to ensure that proper controls were exercised over resources.

Governance and transparency

20. Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements; leadership and decision-making; and, the transparent reporting of financial and performance information. We will review, conclude and report on whether appropriate governance arrangements were in place and operated effectively during the year.

Value for money

21. Value for money refers to using resources effectively and continually improving services. We will review, conclude and report on whether the Joint Committee can demonstrate value for money in the use of resources.

Independence and objectivity

22. Auditors appointed by Audit Scotland must comply with the Code of Audit Practice. When auditing the financial statements auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has in place robust arrangements to ensure compliance with these standards including an annual "fit and proper" declaration for all members of staff. The arrangements are overseen by the Assistant Auditor General, who serves as Audit Scotland's Ethics Partner.

23. The engagement lead is Dave Richardson, 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 CVLDJC. Clyde Valley Learning and Development Joint Committee

Quality control

24. 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 is appropriate in the circumstances.

25. 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. To ensure that we achieve the required quality standards Audit Scotland conducts peer reviews, internal quality reviews and engages external bodies to conduct independent quality reviews.

Clyde Valley Learning and Development Joint Committee

Annual Audit Plan 2016/17

If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500 or info@audit-scotland.gov.uk

For the latest news, reports and updates, follow us on:



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