

# Clyde Valley Learning and Development Joint Committee

Annual Audit Plan 2022/23



 AUDIT SCOTLAND

Prepared for Clyde Valley Learning and Development Joint Committee

March 2023

# Contents

---

Introduction	3
Financial statements audit planning	5
Wider Scope and Best Value	8
Reporting arrangements, timetable, and audit fee	9
Other matters	12
Appendix 1. Your audit team	14

---

# Introduction

---

## Summary of planned audit work

1. This document summarises the work plan for our 2022/23 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 other statutory information published within the annual accounts including the Management Commentary, the Governance Statement, and the Remuneration Report.
- consideration of financial sustainability and the appropriateness of the disclosures in the Governance Statement.

## Audit Appointment

2. We are pleased to be appointed as the external auditor of the Joint Committee for the period 2022/23 to 2026/27 inclusive. You can find a brief biography of your audit team at [Appendix 1](#).

3. In the first year of the audit appointment, we invest significant time gaining an understanding of your business and identifying and assessing the risks of material misstatement to the financial statements. While we use our initial assessment of risk to inform our planned audit approach, we keep our assessment of risks under review as the audit progresses. We will inform you of any significant changes in assessed risks and any resulting changes in our planned audit work.

4. The audit team will actively engage with you over the course of the audit to ensure our audit work continues to be focused on risk.

## Adding value

5. We aim to add value to the Joint Committee through our external audit work by being constructive and forward looking, by 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.

## Respective responsibilities of the auditor and Audited Body

6. The [Code of Audit Practice 2021](#) sets out in detail the respective responsibilities of the auditor and the Joint Committee. Key responsibilities are summarised below.

## Auditor responsibilities

**7.** 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.

**Auditors in the public sector give an independent opinion on the financial statements and other information within the annual report and 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. The Joint Committee and Treasurer responsibilities**

**8.** The Joint Committee and Treasurer is responsible for maintaining accounting records and preparing financial statements that give a true and fair view.

**9.** The Joint Committee and Treasurer 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.

# Financial statements audit planning

## Introduction

**10.** 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.

**11.** We focus our work on the areas of highest risk. As part of our planning process, we prepare 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. We are required to plan our audit to obtain reasonable assurance that 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 2022/23 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

### 2022/23 Materiality levels for the Joint Committee

Materiality	Amount
<p><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 2023 we have set our materiality at 2% of gross expenditure based on the audited financial statements for 2021/22.</p>	£2,400
<p><b>Performance materiality</b> – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality, this could indicate that further audit procedures should be considered. Using our professional judgement, we have assessed performance materiality at 75% of planning materiality.</p>	£1,800

**Reporting threshold (i.e., clearly trivial)** – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount.

£120

Source: Audit Scotland

## 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 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

#### 2022/23 Significant risks of material misstatement to the financial statements

Significant risk of material misstatement	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 International Standard on Auditing (UK) 240, management is in a unique position to</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>• Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year.</li> <li>• Evaluate significant transactions outside the normal course of business.</li> </ul>

Significant risk of material misstatement	Sources of assurance	Planned audit response
perpetrate fraud 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> </ul>

Source: Audit Scotland

**17.** 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 revenue. There is a risk that revenue may be misstated resulting in a material misstatement in the financial statements. There is a risk that revenue may be misstated resulting in a material misstatement in the financial statements. 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.

**18.** 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. 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.

**19.** 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.

---

# Wider Scope and Best Value

---

## Introduction

**20.** The [Code of Audit Practice](#) sets out the four areas that frame the wider scope of public sector audit. The Code of Audit Practice requires auditors to consider the adequacy of the arrangements in place for the wider scope areas in audited bodies.

**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 2022/23 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 2022/23 Annual Audit Report.

## Wider scope risks

**23.** Our risk assessment has not identified any audit dimension risks for 2022/23.

## Best Value

**24.** Auditors have a duty to be satisfied that bodies that fall within section 106 of the 1973 Act 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

**25.** 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](http://www.audit-scotland.gov.uk).

**26.** 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.

**27.** We will provide an independent auditor's report to the Joint Committee and Accounts Commission setting out our opinions on the annual report and 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.

**28.** [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 30 September 2023.

## Exhibit 3 2022/23 Audit outputs

Audit Output	Target date	Joint Committee Date
Annual Audit Plan	31 March 2023	To be circulated to members prior to 31 March 2023
Independent Auditor's Report	30 September 2023	11 September 2023
Annual Audit Report	30 September 2023	11 September 2023

Source: Audit Scotland



## Timetable

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

**30.** 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. We are identifying ways to work more efficiently to expedite the 2022/23 audits whilst at the same time maintaining high standards of quality.

**31.** We intend to take a hybrid approach to the 2022/23 audit with a blend of onsite and remote working. 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 report and accounts timetable

 Key stage	 Provisional Date
Consideration of the unaudited annual report and accounts by those charged with governance	26 June 2023
Latest submission date for the receipt of the unaudited annual report and accounts with complete working papers package.	By 30 June 2023
Latest date for final clearance meeting with the Treasurer	25 August 2023
Issue of draft Letter of Representation and proposed Independent Auditor's Report	01 September 2023
Agreement of audited and unsigned annual report and accounts	11 September 2023
Issue of Annual Audit Report to those charged with governance.	11 September 2023
Signed Independent Auditor's Report	By 30 September 2023

Source: Audit Scotland

## Audit fee

**32.** In determining the audit fee, we have taken account of the risk exposure of the Joint Committee and the planned management assurances in place. The proposed audit fee for 2022/23 is £2,270 (2021/22: £2,020) as set out in [Exhibit 5](#).

**33.** Our fees have increased in 2022/23 and this reflects the current audit market and the rising costs in delivering high quality audit work. There are increased regulatory expectations and risks placed on audit and its quality, as well as a widening in the scope of work audit must cover.

---

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

Fee component	Fees (£)
External Auditor Remuneration	13,830
Contribution to Audit Scotland costs	520
Sectoral Cap Adjustment	12,080
2022/23 Audit fee	2,270

Source: Audit Scotland

---

**34.** In setting the fee for 2022/23 we have assumed that the Joint Committee has effective governance arrangements and will prepare comprehensive and accurate 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.

---

# Other matters

---

## Independence and objectivity

**35.** 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 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.

**36.** 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 Executive Director of Innovation and Quality, who serves as Audit Scotland's Ethics Partner.

**37.** The appointed auditor for the Joint Committee is Pauline Murray, 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.

## Audit Quality

**38.** Quality is at the core of public audit in Scotland and is the foundation for building consistency and confidence across all audit work. High quality audits provide assurance, add value, and can support public bodies to achieve their objectives.

**39.** Until 2021/22, the applicable audit quality standard was International Standard on Quality Control 1 (ISQC (UK) 1). This set out an audit practice's responsibilities for its system of quality control for audits.

**40.** ISQC(UK) 1 has been replaced by two new audit quality standards: Internal Standards on Quality Management (ISQM (UK) 1) applicable from 15 December 2022 and (ISQM(UK) 2) effective for the 2023/24 audits. Work is underway at Audit Scotland to meet the requirements of these quality standards.

**41.** Audit Scotland is committed to delivering high quality audits. 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 supplementary 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 England and Wales (ICAEW) have been commissioned to carry out external quality reviews.

**42.** 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.

---

# Appendix 1. Your audit team

---

**43.** 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 14 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.

Karla Graham  
Senior Auditor  
[kgraham@audit-scotland.gov.uk](mailto:kgraham@audit-scotland.gov.uk)

Karla has considerable experience in planning and delivering audits. Karla will manage the team and work alongside the Senior Audit Manager to deliver the audit.

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

Donna has 3 years of experience in delivering audits. Donna will complete the majority of the audit work, and work alongside the Senior Auditor and 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 2022/23

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)

For the latest news follow us on social media or [subscribe to our email alerts.](#)



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN  
Phone: 0131 625 1500 Email: [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)

---