

Audit Update

West Dunbartonshire Council

Year ending 31 March 2023



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01

Section 01:

Audit scope, approach and timeline

1. Audit scope, approach and timeline

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your activities which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

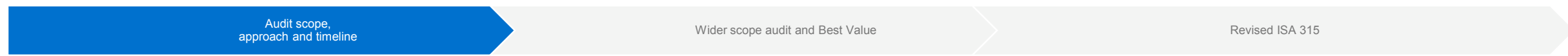
Audit approach

Our audit approach is risk-based and primarily driven by the issues that we consider lead to a higher risk of material misstatement of the accounts. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to the risks identified.

If we conclude that appropriately-designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise: tests of details (of classes of transactions, account balances, and disclosures); and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view.

The diagram on the next page outlines the procedures we perform at the different stages of the audit.



Audit scope,
approach and timeline

Wider scope audit and Best Value

Revised ISA 315

1. Audit scope, approach and timeline

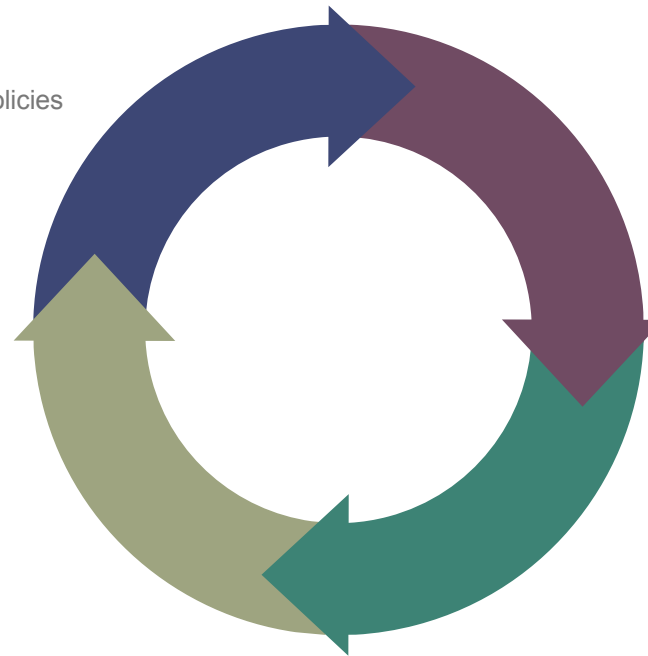
Financial statements audit 2022/23

Planning and Risk Assessment (January to March 2023)

- Planning visit and developing our understanding of the Council
- Initial opinion and wider scope risk assessments
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Risk assessment analytical procedures
- Determination of materiality

Completion (September to October 2023)

- Final review of financial statements
- Final director review and engagement quality review
- Agreeing content of letter of representation
- Reporting to those charged with governance
- Reviewing subsequent events
- Signing the independent auditor's report



Interim (April to June 2023)

- Documenting systems and controls
- Performing walkthroughs
- Interim controls testing including tests of IT general controls
- Early substantive testing of transactions
- Reassessment of audit plan and revision if necessary
- Carry out wider scope and Best Value audit work

Fieldwork (July to September 2023)

- Receiving and reviewing unaudited financial statements
- Delivering our audit strategy starting with significant risks and high risk areas including detailed testing of transactions, account balances and disclosures
- Communicating progress and issues
- Clearance meeting

Audit scope,
approach and timeline

Wider scope audit and Best Value

Revised ISA 315

02

Section 02:

Wider scope audit and Best Value

2. Wider scope audit and Best Value

Wider scope of public audit

The wider scope audit is an integral part of our annual audit work. The Code of audit practice (the Code) requires auditors to consider the following audit areas when undertaking their annual risk assessment of the audited body and preparing their annual audit plans:

- Financial management
- Financial sustainability
- Vision, leadership and governance
- Use of resources to improve outcomes.

We will carry out audit work across these four areas and report our findings in the annual audit report. We will carry out more detailed work where we identify significant risks.

Best Value

Best Value audit work is fully integrated with the wider scope annual audit work and results reflected in annual audit reports.

There are seven Best Value themes:

1. Vision and leadership
2. Governance and accountability
3. Effective use of resources
4. Partnerships and collaborative working
5. Working with communities
6. Sustainability
7. Fairness and equality.

Audit scope,
approach and timeline

Wider scope audit and Best Value

ISA 315 revised

2. Wider scope audit and Best Value

2022/23 Best Value audit approach

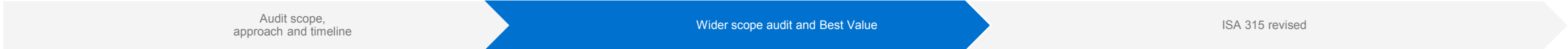
We will review the Best Value findings reported in previous Best Value Assurance Reports and annual audit reports to identify outstanding improvement actions for follow up in the current year.

We will establish what intelligence and auditor judgements has been previously reported on each of the seven Best Value themes. Where we identify risks or improvement areas, or where an audit assessment needs to be updated due to intelligence being out of date or incomplete, we will include coverage in audit plans.

We will also carry out specific work to review the Council's service performance and reporting arrangements.

The Accounts Commission will identify areas of risk where it requires thematic audit work to be carried out in all councils, in addition to the annual Best Value work. For 2022/23 thematic work is required on leadership of the development of new local strategic priorities by councils following the local government elections in May 2022. We will prepare a separate management report to document the findings of this work.

No Best Value Assurance Reports will be published from 2022. To provide the Accounts Commission with assurance on Best Value in individual councils, the Code requires a programme of Controller of Audit reports. These reports will be based on annual audit findings reported on Best Value in each council. We are therefore required to include current judgments on the pace and depth of continuous improvement in the council in the Annual Audit Report. The latest Annual Audit Report will be presented to the Commission with the Controller's reports. The programme of Controller reports will commence in October 2023. Therefore no such reports are required for 2022/23 audits. West Dunbartonshire Council is scheduled to be included in the first year of the programme from October 2023 to August 2024.



03

Section 03:

**Revised auditing standard on
Identifying and assessing the risks of
material misstatement: ISA (UK) 315
(Revised 2019)**

3. Revised auditing standard on Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

Background

ISA (UK) 315 (Revised 2019) introduces major changes to the auditor's risk identification and assessment approach, which are intended to drive a more focused response from auditors undertaking work to obtain sufficient appropriate audit evidence to address the risks of material misstatement. The new standard is effective for periods commencing on or after 15 December 2021 and therefore applies in full for the Council's 2022/23 audit.

The most significant changes relevant to the Council's audit are outlined below.

Enhanced risk identification and assessment

The standard has enhanced the requirements for the auditor to understand the audited entity, its environment and the applicable financial reporting framework in order to identify and assess risk based on new inherent risk factors which include:

- Subjectivity
- Complexity
- Uncertainty and change
- Susceptibility to misstatement due to management bias or fraud.

Using these inherent risk factors, we assess inherent risk on a spectrum, at which the higher end of which lies significant risks, to drive an audit that is more focused on identified risks. Auditors are now also required to obtain sufficient, appropriate evidence from these risk identification and assessment procedures which means documentation and evidence requirements are also enhanced.

Greater emphasis on understanding IT

In response to constantly evolving business environments, the standard places an increased emphasis on the requirements for the auditor to gain an understanding of the entity's IT environment to better understand the possible risks within an entity's information systems. As a result, we are required to gain a greater understanding of the IT environment, including IT general controls (ITGCs). However, the standard acknowledges the fact that there is a need for scalability in gaining this understanding and provides more detailed guidance on how to approach the topic depending on the complexity of the commercial software and/or IT applications.

Increased focus on controls

Building on the need for auditors to gain a greater understanding of the IT environment, the standard also widens the scope of controls that are deemed relevant to the audit. We are now required to broaden our understanding of controls implemented by management, including ITGCs, as well as assess the design and implementation of those controls.

Audit scope,
approach and timeline

Wider scope audit and Best Value

ISA 315 revised

Mazars

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

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