

# Clyde Valley Learning and Development Joint Committee

2018/19 Proposed Annual Audit Report



 AUDIT SCOTLAND

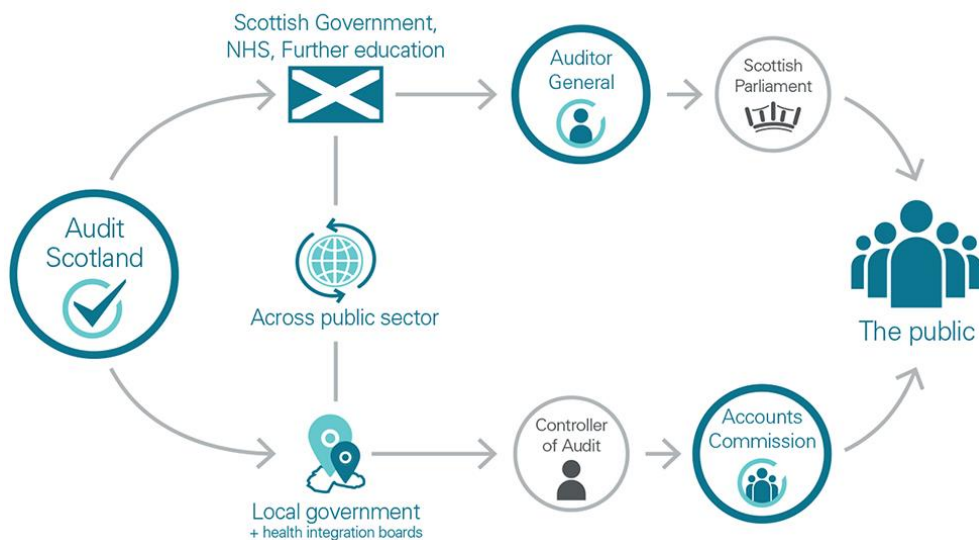
Prepared for the members of the Clyde Valley Learning and Development Joint Committee and the  
Controller of Audit

September 2019

## 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

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.

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# Key messages

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## 2018/19 annual accounts

- 1** The financial statements of the Clyde Valley Learning and Development Joint Committee for 2018/19 give a true and fair view of the state of its affairs and of its net expenditure for the year.
- 2** The narrative reports forming part of the annual accounts were properly prepared in accordance with the applicable requirements and were consistent with the financial statements.

## Financial sustainability and governance

- 3** We concluded that given the evidence of continued support from member authorities Clyde Valley Learning and Development Joint Committee's financial position is sustainable in the foreseeable future.
- 4** The Joint Committee's annual governance statement is consistent with the financial statements and complies with guidance.

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# Introduction

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1. This report summarises the findings from our 2018/19 audit of Clyde Valley Learning and Development Joint Committee. The [Code of Audit Practice 2016](#) (the Code) includes provisions relating to the audit of small bodies. Where the application of the full wider audit scope is judged not to be appropriate to an audited body then audit work can focus on the disclosures in the governance statement and the financial sustainability of the body and its services.
2. The scope of our audit was set out in our Annual Audit Plan circulated to members by email of 28 February 2019. We applied the small body provisions of the Code to the 2018/19 audit of Clyde Valley Learning and Development Joint Committee.
3. Management of the Joint Committee is responsible for, inter alia:
  - preparing financial statements which give a true and fair view
  - putting in place proper arrangements for the conduct of its affairs
  - ensuring that the financial position is soundly based.
4. Our audit of the annual accounts is not designed to identify all matters that may be relevant to those charged with governance. We have included in this report only those matters that have come to our attention as a result of our normal audit procedures; consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made. It is the auditor's responsibility to express an opinion on the annual accounts prepared by management. This does not relieve management of the responsibility for the preparation of the annual accounts.
5. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#).
6. We did not find any issues arising from our 2018/19 audit work which merited a recommendation and action plan point.
7. We comply with the Financial Reporting Council's Ethical Standard. We have not undertaken non-audit related services. No work was undertaken beyond that set out in our annual audit plan, therefore our audit fee of £1,880 remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.
8. This report is addressed to the members of the Joint Committee and the Controller of Audit and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course.
9. The cooperation and assistance afforded to the audit team during the course of the audit is gratefully acknowledged.

# Part 1

## Audit of 2018/19 annual accounts



### Main judgements

The financial statements of the Clyde Valley Learning and Development Joint Committee for 2018/19 give a true and fair view of the state of its affairs and of its net expenditure for the year.

The narrative reports forming part of the annual accounts were properly prepared in accordance with the applicable requirements and were consistent with the financial statements.

### Audit opinions on the annual accounts

**10.** The annual accounts for the year ended 31 March 2019 were approved by the board on 09 September 2019. We reported in our independent auditor's report:

- an unqualified opinion on the financial statements
- an unqualified audit opinion on the management commentary and annual governance statement.

### Submission of annual accounts for audit

**11.** We received the unaudited annual accounts on 07 June 2019 in line with our agreed audit timetable.

**12.** The unaudited annual accounts provided for audit were complete and of a good standard and finance staff provided good support to the audit team which helped ensure the final accounts audit process ran smoothly.

### Risks of material misstatement

**13.** [Appendix 1](#) provides a description of areas we assessed as being at risk of material misstatement at the planning stage, how we addressed them and our conclusions thereon.

### Materiality

**14.** Materiality can be defined as the maximum amount by which auditors believe the financial statements could be misstated and still not be expected to affect the perceptions and decisions of users of the financial statements. The assessment of what is material is a matter of professional judgement. A misstatement or omission, which would not normally be regarded as material by value, may be important for other reasons (for example, an item contrary to law).

**15.** We carried out our initial assessment of materiality for the annual accounts during the planning phase of the audit. On receipt of the annual accounts and following completion of audit testing we reviewed our planning materiality calculations and concluded that they remained appropriate.

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## Exhibit 1

### Materiality levels

Materiality level	Amount
Overall materiality	£1,000
Performance materiality	£500
Reporting threshold	£100

Source: Annual Audit Plan 2018/19

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### Significant findings

**16.** International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to “those charged with governance”. There are no significant findings to report. The qualitative aspects of the agency’s accounting practices, accounting policies, accounting estimates and financial statements disclosures are satisfactory and appropriate to the agency.

### Misstatements

**17.** There were no material adjustments to the unaudited annual accounts arising from our audit.

# Part 2

## Financial sustainability and governance



### Main judgements

**The Joint Committee has secured contribution of £90,750 towards the running costs for 2019/20. Given the evidence of continued support from participating councils we conclude that the Joint Committee's financial position is sustainable in the foreseeable future.**

**The Joint Committee's annual governance statement is consistent with the financial statements and complies with guidance.**

### Financial performance in 2018/19

**18.** The Joint Committee have secured contributions totalling £32,000 from the member authorities towards the running costs for 2018/19. As the administering authority, South Lanarkshire Council is responsible for managing the Joint Committee's running costs within the allocated budget.

**19.** During 2018/19, the Comprehensive Income and Expenditure Statement (CIES) reported expenditure of £55,000. This comprised expenditure on training, on behalf of participating councils, of £25,000, and running costs of £30,000.

**20.** The income reported in the CIES is £57,000. This represents training costs recharged to users and the contributions of participating councils. The £2,000 underspend against running costs has been carried forward for use in future years.

### Restructuring and future funding

**21.** Proposal regarding the restructuring of the Clyde Valley Learning and Development Project were taken to members in December 2017 and the new structure was agreed in December 2018. This involved the creation of three categories of membership; full members, participating members, and procurement members, (6, 11 and 2 respectively). The changes of membership categories and funding tiers were updated in the Minute of Agreement.

**22.** The Joint Committee's sustainability is dependent on the participating councils continued support. The Joint Committee secured contributions totalling £90,750 from the member authorities towards the running costs of the project for 2019/20. There is evidence that participating councils will continue to support the existence of the Joint Committee for the foreseeable future.

### Governance

**23.** South Lanarkshire Council, as host authority, provides support in some key areas of business, particularly in providing management and finance and administrative support. As part of our audit, we reviewed the high-level controls in a number of the systems used by South Lanarkshire Council for the processing and recording of transactions and the preparation of the financial statements of the Joint Committee.



**24.** Our overall conclusion was that the key controls within the council's main financial systems were operating satisfactorily, and no significant risks to the Joint Committee were identified.

**25.** We concluded that the information in the annual governance statement is consistent with the financial statements and our knowledge of the Joint Committee's operations and had been prepared in accordance with the CIPFA/SOLACE guidance: Delivering Good Governance in Local Government: Framework (2016).

### **National performance reports**

**26.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. National performance reports, published in 2018/19, which may be of interest to members are listed at [appendix 2](#).

# Appendix 1

## Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion.

Audit risk	Assurance procedure	Results and conclusions
<b>Risks of material misstatement in the financial statements</b>		
<b>1 Management override of controls (example)</b>  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.	<ul style="list-style-type: none"> <li>• Detailed testing of journal entries.</li> <li>• Review of accounting estimates.</li> <li>• Focused testing of accruals and prepayments.</li> <li>• Evaluation of significant transactions that are outside the normal course of business.</li> </ul>	Our audit procedures did not detect evidence of management override of controls.
<b>2 Risk of fraud over expenditure</b>  The Code of Audit Practice expands the ISA 240 assumption on fraud over income to aspects of expenditure	<ul style="list-style-type: none"> <li>• Substantive testing of expenditure</li> </ul>	Our audit procedures did not detect any evidence of fraud over expenditure.

# Appendix 2

## List of national performance reports 2018/19

### 2018/19 Reports

Local government in Scotland:  
Challenges and performance 2018



Apr

Councils' use of arm's-length  
organisations



May



Scottish Fire and Rescue Service:  
an update

Scotland's colleges 2018



Jun

Jul



The National Fraud Initiative  
in Scotland 2016/17

Forth Replacement Crossing



Aug



Major project and procurement lessons

Children and young people's  
mental health



Sept



Superfast broadband for Scotland:  
further progress update

NHS in Scotland 2018



Oct

Health and social care integration:  
update on progress



Nov



Local government in Scotland:  
Financial overview 2017/18

Dec

Jan

Feb

Mar



Local government in Scotland:  
Challenges and performance 2019

# Clyde Valley Learning and Development Joint Committee

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