

Clyde Valley Learning and Development Joint Committee

2022/23 Annual Audit Report – DRAFT



 AUDIT SCOTLAND

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

November 2023

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Key messages

2022/23 annual accounts

- 1 The financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.
- 2 The key audit risks were detailed in our Annual Audit Plan presented to the Joint Committee meeting on 26 June 2023.
- 3 There are no significant matters from our work to draw to the attention of the Joint Committee.

Wider scope

- 4 Through the continued support from member authorities, the Joint Committee's financial position is sustainable for the foreseeable future.
- 5 Governance arrangements were effective in 2022/23. The Joint Committee's annual governance statement is consistent with the financial statements and complies with applicable guidance.
- 6 The Joint Committee has appropriate arrangements in place for securing Best Value.

Introduction

1. This report summarises the findings from the 2022/23 annual audit of Clyde Valley Learning and Development Joint Committee (the Joint Committee). The scope of the audit was set out in an Annual Audit Plan presented to the 26 June 2023 meeting of the Clyde Valley Learning and Development Joint Committee. This Annual Audit Report comprises:

- significant matters arising from an audit of the Joint Committee's annual accounts
- conclusions on wider scope areas that frame public audit as set out in the [Code of Audit Practice 2021](#), which for less complex bodies includes conclusions on financial sustainability and Best Value.

2. This report is addressed to the Joint Committee and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

Audit appointment from 2022/23

3. I, Pauline Murray have been appointed by the Accounts Commission as auditor of the Joint Committee for the period from 2022/23 until 2026/27. The 2022/23 financial year was the first of my five-year appointment. My appointment coincides with the new [Code of Audit Practice](#) (the Code) which was introduced for financial years commencing on or after 1 April 2022.

4. My team and I would like to thank management and staff for their cooperation and assistance in this year and we look forward to working together constructively over the course of the five-year appointment.

Responsibilities and reporting

5. The Joint Committee has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. the Joint Committee is also responsible for compliance with legislation putting arrangements in place for governance and propriety.

6. The responsibilities of an independent auditor appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the [Code of Audit Practice 2021](#) and supplementary guidance and International Standards on Auditing in the UK.

Auditor Independence

7. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2022/23 audit fee of £2,270 as set out in our

2022/23 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

8. We add value to the Joint Committee by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- sharing intelligence and good practice identified.

Part 1. Audit of 2022/23 annual accounts

Public bodies are required to prepare annual accounts comprising financial statements and other related reports. These are principal means of accounting for the stewardship public funds.

Main judgements

Audit opinions on the annual accounts are unmodified.

Audit opinions on the annual accounts are unmodified

9. The Joint Committee approved the annual accounts for the Joint Committee for the year ended 31 March 2023 on 11 December 2023. As reported in the independent auditor's report, in my opinion as the appointed auditor:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the management commentary and the annual governance statement were all consistent with the financial statements and properly prepared in accordance with the applicable requirements.

Overall materiality was assessed on receipt of the annual accounts as £1,600

10. Broadly, the concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the accounts, and hence impact their opinion set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues may be considered material by their nature. It is ultimately a matter of the auditor's professional judgement.

11. Our initial assessment of materiality was carried out during the risk assessment and planning phase of the audit. This was reviewed and revised on receipt of the unaudited annual accounts and is summarised in [Exhibit 1](#).

Exhibit 1

Materiality values

Materiality level	Amount
Overall materiality	£1,600
Performance materiality	£1,200
Reporting threshold	£80

Source: Audit Scotland

12. The overall materiality threshold was set with reference to gross expenditure, which we judged as the figure most relevant to the users of the financial statements.

13. Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Performance materiality was set at 75% of overall materiality, reflecting no significant errors or material adjustments made in the prior year.

14. It is our responsibility to request that all misstatements, other than those below our reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance.

Significant findings and key audit matters

15. Under International Standard on Auditing (UK) 260, we communicate significant findings from the audit of the Joint Committee, including our view about the qualitative aspects of the body's accounting practices.

16. The Code of Audit Practice also requires all audits to communicate key audit matters within the annual audit report under International Standard on Auditing (UK) 701. These are matters that we judged to be of most significance in our audit of the financial statements.

17. We have no significant findings to report from the audit.

Our audit work responded to the risks of material misstatement we identified in the annual accounts

18. We have obtained audit assurances over the identified significant risks of material misstatement to the annual accounts. [Exhibit 2](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2022/23 Annual Audit Plan. It also summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 2**Identified significant risks of material misstatement in the annual accounts**

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by 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"> • Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. • Tested journals at the year end and post-closing entries and focus on significant risk areas. • Substantively tested income and expenditure transactions around the year-end to confirm they were accounted for in the correct financial year. • Evaluated significant transactions outside the normal course of business. • Assessed the adequacy of controls in place for identifying and disclosing related party relationship and transactions in the financial statements. 	<p>We found no instances of material misstatement due to fraud caused by management override of controls.</p>

Source: Audit Scotland

No misstatements were identified

19. There were no material adjustments to the unaudited annual accounts arising from our audit. In addition, we have no unadjusted misstatements to report.

The unaudited annual accounts were received in line with the agreed timetable

20. The unaudited annual accounts were received in line with our agreed audit timetable on 26 June 2023.

21. Our original audit timetable included a target date for the delivery of our final outputs of September 2023. However, the delays in commencing our audit work this year due to overruns as a result of the Covid-19 pandemic and the need to

maintain the quality of our audit, led to a review of resource plans across all audits. We agreed a revised timetable with officers on the delivery of our audit fieldwork for completion.

Follow up of prior year recommendations

22. There were no actions raised in our [2021/22 Annual Audit Report](#).

Part 2. Wider Scope

For less complex bodies wider-scope audit work considers the financial sustainability of the body and the services that it delivers over the medium to longer term, and the arrangements for securing Best Value

Conclusion

Through the continued support from member authorities, the Joint Committee's financial position is sustainable for the foreseeable future.

Governance arrangements were effective in 2022/23. The Joint Committee's annual governance statement is consistent with the financial statements and complies with applicable guidance.

The Joint Committee has appropriate arrangements in place for securing Best Value.

The Joint Committee reported a surplus on the provision of its services of £17,000 in 2022/23.

23. The Joint Committee secured contributions totalling £78,000 from the member authorities towards its running costs for 2022/23. As the administering authority, South Lanarkshire Council is responsible for managing the Joint Committee's running costs within the allocated budget.

24. Income and expenditure for the year are reported as £98,000 and £81,000 respectively, resulting in a £17,000 surplus on the provision of services. The surplus will be added to the accumulated reserves balance brought forward from 2021/2022. As at 31 March 2023, the Joint Committee's general fund reserve is £34,000.

Through the continued support from member authorities, the Joint Committee's financial position is sustainable for the foreseeable future

25. The Joint Committee's sustainability is dependent on participating councils' continued support. The Joint Committee has so far secured contributions totalling £75,000 from 15 member authorities, five being full members, towards the running costs of the project for 2023/24.

26. This funding exceeds the Joint Committee's agreed minimum level of funding required to maintain the viability of the Project (being a commitment from at least five full members councils and contributions of £61,000 in total from all members).

27. At the Joint Committee meeting in June 2023, the 2023/24 revenue budget monitoring report noted that in addition to the member contributions of £75,000, there is budgeted training expenditure of £25,000, with this recharged to councils. This gives a total expenditure and income budget of £100,000 for 2023/24. As at 19 May 2023, the budget update forecast a breakeven position for 2023/24.

28. In February 2023, the 2023/2024 Membership and Funding Papers was presented to the Joint Committee. Whilst the paper did not include a formal statement on reserves, it did assess the adequacy of the funding for 2023/24. They agreed that any unspent element of this funding would be transferred to reserves for use in future years. This reserve balance will be reviewed annually as part of the membership and funding contributions review.

29. One council has withdrawn full membership in year which has reduced the Joint Committee membership to the minimum level for the continuation of the Project. However, there is evidence that participating councils will continue to support the operations and existence of the Joint Committee for the foreseeable future.

Governance arrangements were effective in 2022/23

30. The governance statement discloses the Joint Committee's compliance with the Financial Management Code (FM Code) from CIPFA. The FM Code applies from 2022/23 and is designed to support good practice in financial management, with compliance against the principles helping local authorities demonstrate financial sustainability. The Joint Committee undertook a self-assessment of compliance with CIPFA's FM Code has been carried out as appropriate with the results feeding into the Annual Governance Statement. The self-assessment identified that the Joint Committee where appropriate had fully embedded all but one of the principles of the Code in its normal business by the end of that year.

31. The information in the annual governance statement is consistent with the financial statements and our knowledge of the Joint Committee's operations and was prepared in accordance with the CIPFA/SOLACE guidance: Delivering Good Governance in Local Government: Framework (2016).

32. All Joint Committee meetings were held virtually in 2022/23, with the use of Microsoft Teams allowing for greater member participation. This virtual medium is now the preferred method for Joint Committee meetings. The increased participation at meetings helps retain effective strategic oversight and governance of the Project.

The Joint Committee has appropriate arrangements in place for securing Best Value

33. The Joint Board has a specific responsibility to ensure that arrangements have been made to secure Best Value under the Local Government in Scotland Act 2003.

34. The Joint Committee has responsibility for overseeing the Project. The overall objective of the Project is to establish and deliver multiple shared approaches to training, learning and development between the Clyde Valley

Councils (South Lanarkshire, North Lanarkshire, Glasgow City, East Renfrewshire, Inverclyde and Renfrewshire Councils) which will result in:

- Greater efficiency due to shared working rather than a Council-by-Council approach
- Reduced duplication of effort
- The identification, development and sharing of best practice
- Setting, achieving and maintaining the highest standards of service delivery
- Modernising service delivery by improving practice and making best use of information technology
- A consistent approach to training, learning and development
- Ensuring equality of opportunity for all Clyde Valley employees in accessing appropriate learning and development
- Developing centres of excellence from which to deliver models suitable for replication nationally

35. The Joint Committee is committed to identifying further projects capitalise on the successes delivered by the Project. However, again this is dependent on the continued support from Members.

36. The Joint Committee continues to keep its membership funding structure under review and recognises the need to achieve Best Value for its Member Councils. This is particularly significant given the scale and uncertainty around the financial challenges facing all councils at present.

37. Overall, the Joint Committee has appropriate arrangements in place for securing Best Value.

Clyde Valley Learning and Development Joint Committee

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