

# Clyde Valley Learning and Development Joint Committee

Proposed 2020/21 Annual Audit Report



 AUDIT SCOTLAND

Prepared by Audit Scotland  
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# Contents

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Key messages	3
Introduction	4
1. Audit of 2020/21 annual accounts	6
2. Financial sustainability and governance statement	8
Appendix 1. Significant audit risks	11
Appendix 2. Summary of 2020/21 national performance reports	13

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# Key messages

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## **2020/21 annual accounts**

- 1** An unqualified independent auditor's report has been issued for the 2020/21 annual accounts.

## **Financial sustainability and governance statement**

- 2** Through the continued support from member authorities, the Joint Committee's financial position is sustainable for the foreseeable future.
- 3** A review of reserves will be undertaken and reported to the Joint Committee in due course.
- 4** Governance arrangements were effective in 2020/21. The Joint Committee's annual governance statement is consistent with the financial statements and complies with applicable guidance.

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# Introduction

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1. The scope of our audit was set out in our 2020/21 [annual audit plan](#) presented to the February 2021 meeting of the Joint Committee.

2. This report sets out our findings from:

- the audit of the annual accounts
- consideration of the Joint Committee's financial sustainability and governance statement.

## Responsibilities and reporting

3. The management of the Joint Committee, has responsibility for:

- preparing financial statements which give a true and fair view.
- putting in place proper arrangements for the conduct of its affairs.
- maintaining proper accounting records and appropriate governance arrangements.

4. Our responsibilities, as independent auditor appointed by the Accounts Commission, are established by the Local Government (Scotland) Act 1973, the [Code of Audit Practice 2016](#) and supplementary guidance and International Standards on Auditing in the UK. We undertake our audit in accordance with International Standards on Auditing, and the auditing profession's ethical guidance.

5. At the conclusion of our audit, we provide an independent auditor's report for inclusion in the annual accounts.

6. Audit Scotland's Code of Audit Practice 2016 includes provisions relating to the audit of small bodies. Where the application of the full wider audit scope is judged by auditors not to be appropriate to an audited body then annual audit work can focus on the financial sustainability of the body and the disclosures in the governance statement. In our 2020/21 annual audit plan we conveyed our intention to apply the small body provisions to the 2020/21 audit of the Joint Committee's annual accounts.

7. Best Value is about ensuring that there is good governance and effective management of resources, with a focus on improvement, to deliver the best possible outcomes for citizens. As we have applied the Code of Audit Practice small body provisions to the audit of the Joint Committee our wider scope responsibilities do not fully apply. Our Best Value work is limited to our audit work on financial sustainability and the governance statement.

**8.** This report raises matters from our audit. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

## **Adding value through the audit**

**9.** In addition to our primary responsibility of reporting on the annual accounts we seek to add value to the Joint Committee by identifying areas for improvement and by recommending and encouraging good practice. In so doing, we aim to help the organisation promote improved standards of governance, better management and decision making, and more effective use of resources.

## **Auditor Independence**

**10.** Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the annual accounts auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies.

**11.** 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 2020/21 audit fee of £1,960 as set out in our annual audit plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

**12.** This report is addressed to both 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.

**13.** We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit.

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# 1. Audit of 2020/21 annual accounts

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## Key messages

An unqualified independent auditor's report has been issued for the 2020/21 annual accounts.

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## Our audit opinions on the annual accounts are unmodified

**14.** The annual accounts for the year ended 31 March 2021 were approved for issue by the Joint Committee following its meeting on 13 September 2021.

**15.** We reported in the independent auditor's report that:

- the financial statements give a true and fair view and were properly prepared in accordance with relevant legislation and the Code of Practice on Local Authority Accounting in the UK.
- the management commentary and governance statement were consistent with the financial statements and properly prepared in accordance with relevant legislation.

**16.** We concluded that there were no matters upon which we are required to report, by exception, to the Accounts Commission.

## The unaudited annual accounts were submitted for audit in line with the agreed timetable

**17.** Despite the ongoing restrictions caused by the Covid-19 pandemic, we received the unaudited annual accounts on 14 June 2021 in line with the agreed audit timetable. The annual accounts submitted for audit were of a satisfactory standard as were supporting working papers. Finance staff provided good support to the audit team which helped ensure the final accounts audit process ran smoothly.

## Our audit identified and addressed the risks of material misstatement

**18.** The concept of audit risk is of central importance to our audit approach. During the planning stage of our audit, we identified a number of key audit risks which could impact on the annual accounts. We set out in our annual audit plan the audit work we proposed to undertake to secure appropriate levels of

assurance. [Appendix 1](#) sets out the significant audit risks identified and how we addressed each risk in arriving at our opinion on the annual accounts.

## Our audit testing reflected the calculated materiality levels

**19.** Materiality can be defined as the maximum amount by which auditors believe the annual accounts could be misstated and still not be expected to affect the perceptions and decisions of users of the annual accounts. 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).

**20.** Our initial assessment of materiality for the annual accounts is undertaken during the planning phase of the audit. On receipt of the unaudited annual accounts, and following completion of audit testing, we reviewed our original materiality calculations and concluded that they remained appropriate. Our materiality levels are set out at [exhibit 1](#).

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### Exhibit 1

#### Materiality levels

Materiality level	Amount
Overall materiality	£1,900
Performance materiality	£1,400
Reporting threshold	£100

Source: Audit Scotland

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## Misstatements

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

## Significant findings from the audit (ISA 260)

**22.** 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.

## Follow up of prior year recommendations

**23.** There were no actions raised in our [2019/20 annual audit report](#).

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## 2. Financial sustainability and governance statement

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### Key messages

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

A review of reserves will be undertaken and reported to the Joint Committee in due course.

Governance arrangements were effective in 2020/21. The Joint Committee's annual governance statement is consistent with the financial statements and complies with guidance.

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### **The Joint Committee reported an underspend of £2,000 against its 2020/21 budget**

**24.** The Joint Committee secured contributions totalling £83,000 from the member authorities towards the running costs for 2020/21. As the administering authority, South Lanarkshire Council is responsible for managing the Joint Committee's running costs within the allocated budget.

**25.** Income and expenditure for the year are reported respectively as £97,000 and £95,000. The £2,000 underspend against running costs has been added to the Joint Committee's general fund reserve, bringing the total balance held to £30,000.

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

**26.** The Covid-19 disruption has had a significant impact across the public sector. The Joint Committee recognises that it also represents an opportunity to innovate training delivery. Through its partnership working and the e-learning Sub-Group, the Joint Committee is continuing to focus on maximising the opportunities to share resources and develop best practice with regards to online learning.

**27.** The Joint Committee's sustainability is dependent on participating councils' continued support. The Joint Committee has so far secured contributions totalling £84,000 from the member authorities towards the running costs of the project for 2021/22. There is evidence that participating councils will continue to support the existence of the Joint Committee for the foreseeable future.



## **A review of reserves will be undertaken and reported to the Joint Committee in due course**

**28.** The CIPFA Local Authority Accounting Panel (LAAP) bulletin 99 provides guidance on the establishment and maintenance of reserves. The bulletin notes that reserves are generally held for the following main purposes:

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing.
- A contingency to mitigate the impact of unexpected events or emergencies.
- A means of building up funds to meet known or predicted requirements.

**29.** As at 31 March 2021 the Joint Committee's general fund stands at £30,000 (31 March 2020 £28,000). The reserve has doubled over the past two years.

**30.** The guidance does not prescribe a level of reserves but places the responsibility on the 'chief financial officer' to advise the Joint Committee on the creation and levels of reserves appropriate to the Joint Committee's circumstances. Management have advised that discussions are ongoing around the potential use of reserves in 2021/22. We are also aware that there will be a statement on the adequacy of reserves included in the 2022/2023 budget strategy paper. Members should take the opportunity to consider the appropriateness of the plans for the reserves held by the Joint Committee.

## **Governance arrangements were effective in 2020/21. The Joint Committee's annual governance statement is consistent with the financial statements and complies with guidance**

**31.** South Lanarkshire Council, as host authority, provides support in some key areas of business, particularly in finance, legal and information technology. 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.

**32.** 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.

**33.** In its annual governance statement, the Joint Committee has made appropriate disclosure of the impact Covid-19 has had on its governance arrangements. The statement provides assurance that there have been no changes to the governance arrangements in place except for the required changes made in response to the pandemic.

**34.** 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 was prepared in accordance with the CIPFA/SOLACE guidance: Delivering Good Governance in Local Government: Framework (2016).

**35.** All Joint Committee meetings were held remotely in 2020/21, via Microsoft TEAMS, with all meetings being quorate. To help maintain this high level of attendance, discussions have taken place as to the possibility that all meetings are held via TEAMS going forward.

### **The Joint Committee's 2020/21 management commentary provides a good picture of its performance and operational activity for the year**

**36.** The management commentary is intended to expand upon and provide clarity and context to the information in the financial statements. Guidance emphasises that each body has scope for innovation and variation on how it “tells its story,” the general principle is that it should provide “a fair, balanced and understandable” analysis of a body’s performance to meet the needs of members and other stakeholders, including members of the public.

**37.** We concluded that the 2020/21 management commentary is consistent with our knowledge and experience of the organisation and presents a reasonable picture of the Joint Committee’s performance.

### **National performance reports**

**38.** 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 2020/21, which may be of interest to members are listed at [appendix 2](#).

# Appendix 1. Significant audit risks

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.

## Risks of material misstatements in the financial statements

Audit risk	Assurance procedure	Results and conclusions
<b>1. Risk of management override of controls</b>  Auditing standards require that audit work is planned to consider the risk of misstatement arising from the management override of controls.	Detailed testing of journal entries.  Review of accounting estimates.  Focused testing of accruals and prepayments.  Evaluation of significant transactions that are outside the normal course of business.	<b>Results:</b> Journal adjustments were tested, and no indications of management override of controls were found.  Judgements and estimations applied were tested to confirm they were appropriate and reasonable. No issues were highlighted with the judgements and estimates applied.  We tested accruals and prepayments and confirmed that income and expenditure was properly accounted for in the financial year.  We reviewed transactions during the year – no issues highlighted of significant transactions outside the normal course of business.  <b>Conclusion:</b> No issues were identified from our work in response to this risk.
<b>2. Risk for expenditure fraud</b>  Auditing standards assert that fraud should be presumed to be a significant risk in any audit.	Detailed testing of expenditure transactions focusing on the areas of greatest risk.  Analytical procedures on expenditure streams.	<b>Results:</b> We obtained satisfactory explanations for any significant increases or decreases in expenditure.  Satisfactory results were obtained from our testing of

Audit risk	Assurance procedure	Results and conclusions
	Focused testing on expenditure around the cut-off period.	<p>expenditure transactions. Our testing confirmed that expenditure was accounted for in the correct financial year.</p> <p><b>Conclusion:</b> No issues were identified from our work in response to this risk.</p>

### Risks identified from the auditor's wider responsibility under the Code of Audit Practice

Audit risk	Assurance procedure	Results and conclusions
<p><b>3. Governance and transparency</b></p> <p>Each constituent council appoints a councillor to the Joint Committee. Attendance at meetings by committee members is poor. There is a risk of insufficient scrutiny of the Joint Committee's operations. The minutes of the most recent meeting (September 2020) were not published until January 2021. Although this is a one-off incident, there may be perceived lack of transparency where publication of minutes are subject to delays.</p>	<p>Attend committee meetings.</p> <p>Review of meeting minutes.</p>	<p><b>Results:</b> Attendance at committee meetings in 2021 have improved and minutes have been published timely following the meetings.</p> <p><b>Conclusion:</b> All committee meetings were quorate in 2020/21.</p>

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# Appendix 2. Summary of 2020/21 national performance reports

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## April

[Affordable housing](#)

## June

[Highlands and Islands Enterprise: Management of Cairngorm mountain and funicular railway](#)

[Local government in Scotland Overview 2020](#)

## July

[The National Fraud Initiative in Scotland 2018/19](#)

## January

[Digital progress in local government](#)

[Local government in Scotland: Financial overview 2019/20](#)

## February

[NHS in Scotland 2020](#)

## March

[Improving outcomes for young people through school education](#)

# Clyde Valley Learning and Development Joint Committee

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