

Clyde Valley Learning and Development Joint Committee

2019/20 Proposed Annual Audit Report



 AUDIT SCOTLAND

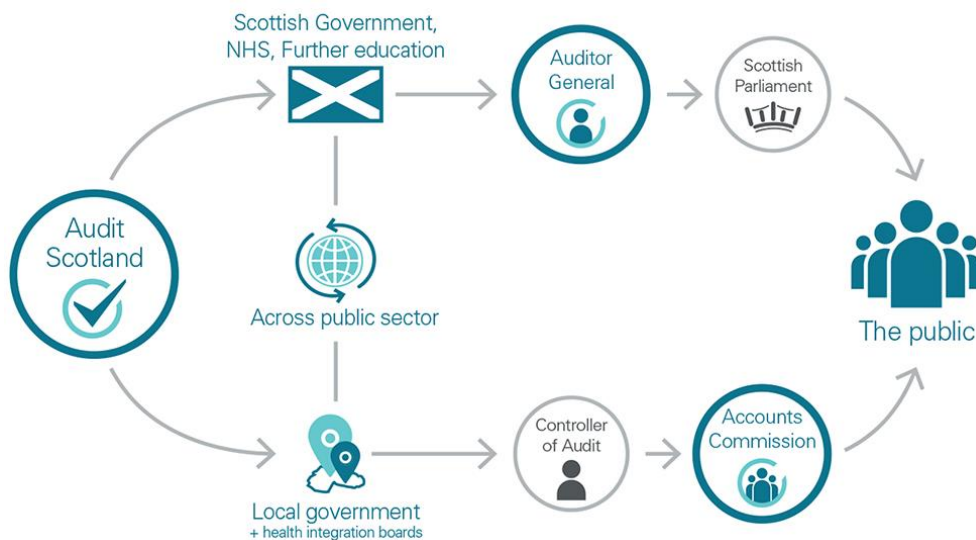
Prepared for the members of the Clyde Valley Learning and Development Joint Committee and the
Controller of Audit

September 2020

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

2019/20 annual accounts

- 1** The financial statements of the Clyde Valley Learning and Development Joint Committee for 2019/20 give a true and fair view of the state of its affairs and of its net income 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** Through the continued support from member authorities, Clyde Valley Learning and Development Joint Committee's financial position is sustainable for the foreseeable future.
- 4** The Joint Committee's annual governance statement is consistent with the financial statements and complies with guidance.

Introduction

1. This report summarises the findings from our 2019/20 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 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 3 February 2020. We applied the small body provisions of the Code to the 2019/20 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. 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. The duty of Best Value is a formal duty on the Joint Committee. 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 governance arrangements.
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 £1,920 remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.
8. We have included one significant finding at [exhibit 2](#).
9. 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 in due course.
10. The cooperation and assistance afforded to the audit team during the audit is gratefully acknowledged.

Part 1

Audit of 2019/20 annual accounts



Main judgements

The financial statements of the Clyde Valley Learning and Development Joint Committee for 2019/20 give a true and fair view of the state of its affairs and of its net income 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

11. The annual accounts for the year ended 31 March 2020 were approved by the Joint Committee on 7 September 2020. 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

12. We received the unaudited annual accounts on 30 June 2020 in line with our agreed audit timetable.

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.

Exhibit 1

Materiality levels

Overall materiality - This is the calculated figure used in assessing the potential effect of errors in the financial statements. It was set at 2% of gross expenditure for the year ended 31 March 2020.	£2,240
Performance materiality - This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement, we have calculated performance materiality at 75% of overall materiality.	£1,740
Reporting threshold - We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been calculated at 5% of overall materiality	£120

Source: Audit Scotland: Audit of accounts 2019/20

Significant findings

16. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to "those charged with governance". Significant findings are reported at [exhibit 2](#).

Exhibit 2

Significant findings from the audit of the financial statements

Issue/risk	Resolution
Surpluses <p>The result for the year is a surplus of £14,000. Added to the £14,000 brought forward from previous years £28,000 is available to the Joint Committee. This has been carried forward as a creditor balance. In the absence of a clear intention to repay member organisations, we consider that this is more accurately described as a reserve balance.</p>	<p>Management have agreed to include a General Fund reserve. This identifies a year-end balance of £28,000 available to the Joint Committee for future use on the project.</p>

Source: Audit Scotland: Audit of accounts 2019/20

Part 2

Financial sustainability and governance



Main judgements

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

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

Financial performance in 2019/20

17. The Joint Committee secured contributions totalling £91,000 from the member authorities towards the running costs for 2019/20. As the administering authority, South Lanarkshire Council is responsible for managing the Joint Committee's running costs within the allocated budget.
18. Income and expenditure for the year are reported respectively as £126,000 and £112,000. The £14,000 underspend against running costs has been added to the Joint Committee's General Fund reserve, bringing the total balance held to £28,000. These monies will be used for future progress on the project.

Restructuring and future funding

19. A 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. 2019/20 was the first year of operation under the new streamlined membership and fee structure.

Future audit fees

20. The Accounts Commission appoint the external auditors by virtue of s106 of the Local Government (Scotland) Act 1973. External auditors appointed by the Commission are obliged to deliver an audit which complies fully with international standards on auditing. This is a resource intensive process and the audit fees charged to the Joint Committee have not, in the past, reflected the resources applied to the audit. Audit Scotland have advised that they will move towards an increased audit fee to recover a greater proportion of the costs involved in delivering the annual audit.
21. Audit Scotland have suggested that future audit fees will increase to some four times the current level. The Joint Committee and management may wish to consider delivering its functions through a different vehicle and making alternative audit arrangements.

Sustainability

- 22.** 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. There are likely to be service delivery changes within public sector post-Covid-19. Through its partnership working, the Joint Committee is seeking opportunities to provide online learning and development to support potential service delivery changes.
- 23.** The Joint Committee's sustainability is dependent on participating councils' continued support. The Joint Committee has so far secured contributions totalling £83,000 from the member authorities towards the running costs of the project for 2020/21. There is evidence that participating councils will continue to support the existence of the Joint Committee for the foreseeable future.

Governance

- 24.** 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.
- 25.** 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.
- 26.** 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

- 27.** 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 2019/20, 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.

Risks of material misstatement in the financial statements		
1 Management override of controls 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.	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	Our audit procedures did not detect evidence of management override of controls.
2 Risk of fraud over expenditure The Code of Audit Practice expands the ISA 240 assumption on fraud over income to aspects of expenditure.	Substantive testing of expenditure transactions.	Our audit procedures did not detect any evidence of fraud over expenditure.
Risks identified from the auditor's wider responsibility under the Code of Audit Practice		
3 Governance and transparency 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.	Attend committee meetings. Review of meeting minutes.	Physical meetings were held in June and December 2019. Minutes were reviewed following each meeting.

Appendix 2

List of national performance reports 2019/20

 2019/20 Reports		
	Apr	
Social security: Implementing the devolved powers	 May	
Scotland's colleges 2019	 Jun	 Enabling digital government
	Jul	
NHS workforce planning - part 2	 Aug	
Finances of Scottish universities	 Sept	
NHS in Scotland 2019	 Oct	
	Nov	
Local government in Scotland: Financial overview 2018/19	 Dec	
Scotland's City Region and Growth Deals	 Jan	 Privately financed infrastructure investment: The Non-Profit Distributing (NPD) and hub models
	Feb	
	Mar	 Early learning and childcare: follow-up

Clyde Valley Learning and Development Joint Committee

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