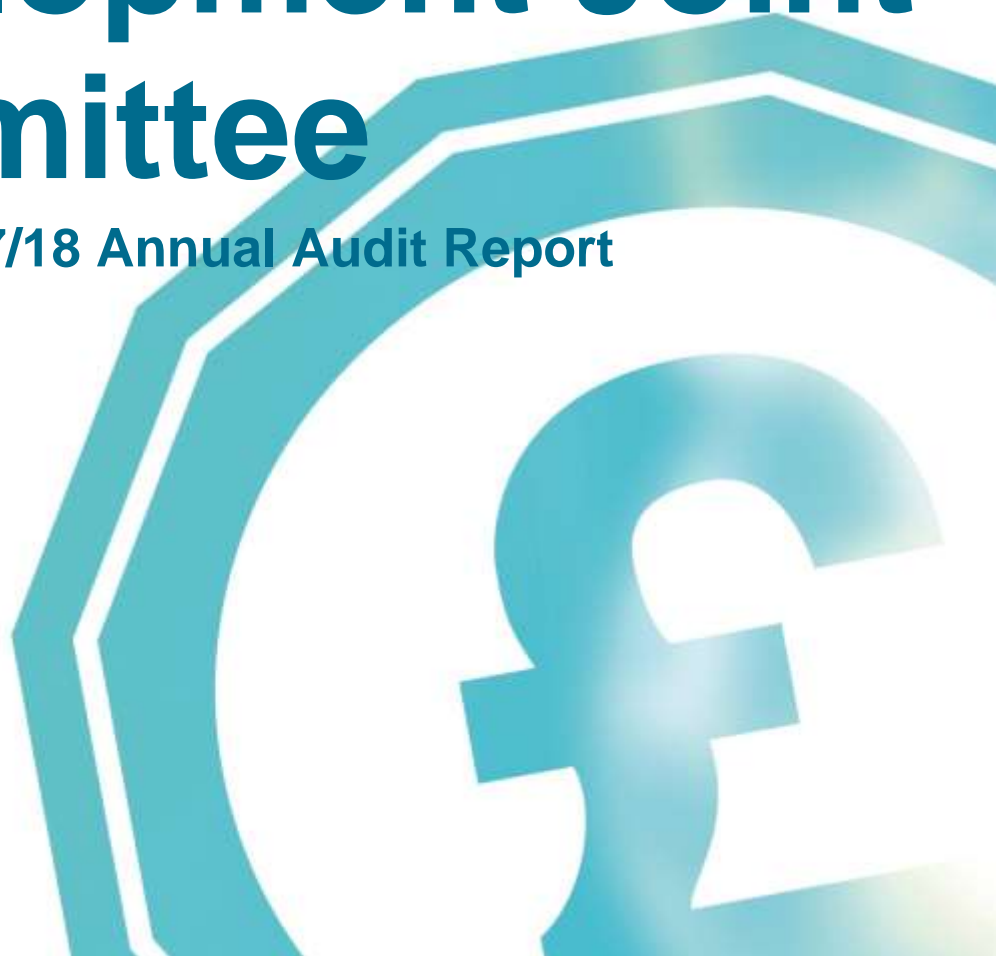


# Clyde Valley Learning and Development Joint Committee

Proposed 2017/18 Annual Audit Report



 AUDIT SCOTLAND

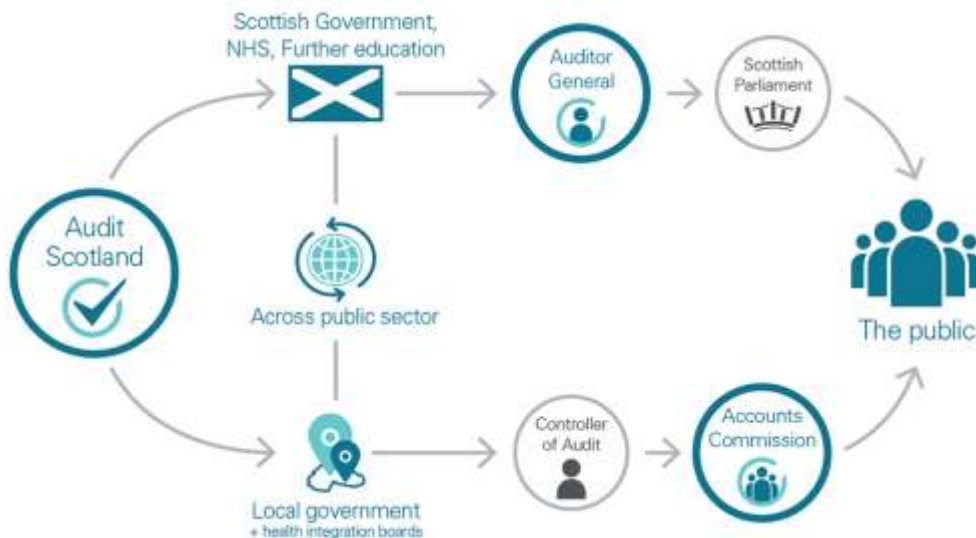
Prepared for the members of the Clyde Valley Learning and Development Joint Committee  
and the Controller of Audit

September 2018

## 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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## Audit of 2017/18 annual accounts

- 1** The financial statements of the Clyde Valley Learning and Development Joint Committee for 2017/18 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 and consistent with the financial statements.

## Financial sustainability and governance statement

- 3** Given the evidence of continued support from members we conclude that the Joint Committee's financial position is sustainable in the foreseeable future.
- 4** The Joint Committee's Annual Governance Statement complies with guidance.

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# Introduction

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- 1.** This report summarises the findings from our 2017/18 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 by auditors not to be appropriate to an audited body then the audit work can focus on the appropriateness of 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 presented to the February meeting of the Joint Committee. We applied the small body provisions of the Code to the 2017/18 audit of the 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.** The action plan at [appendix 1](#), sets out the outstanding actions from last year and updates. There were no specific recommendations arising from our 2017/18 audit.
- 7.** We confirm that we comply with the Financial Reporting Council's Ethical Standard. We have not undertaken any non-audit related services and therefore the 2017/18 audit fee of £1,820 as set out in our Annual Audit Plan, 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.** We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit.

# Part 1

## Audit of 2017/18 annual accounts



### Main judgements

The financial statements of the Clyde Valley Learning and Development Joint Committee for 2017/18 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 and consistent with the financial statements.

### Audit opinions on the annual accounts

10. The annual accounts for the year ended 31 March 2018 were approved by the Joint Committee on 10 September 2018. We reported, in our independent auditor's report:

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

11. We have nothing to report in respect of those matters which we are required by the Accounts Commission to report by exception

### Submission of annual accounts for audit

12. We received the unaudited annual accounts on 11 June 2018 in line with our agreed audit timetable.

13. The unaudited annual accounts provided for audit were complete and of an adequate 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

14. [Appendix 2](#) 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. These risks influenced our overall audit strategy, the allocation of staff resources to the audit and how the efforts of the audit team were directed.

### Materiality

15. Materiality can be defined as the maximum amount by which auditors believe the financial statements could be misstated and still not be expected to influence the economic decisions of users of the financial statements. When deciding on what is material we consider both the amount and nature of the misstatement. A misstatement or omission, which would not normally be regarded as material by amount, may be important for other reasons (for example, an item contrary to law).

The Joint Committee's annual accounts are the principal means of accounting for the stewardship of its resources and its performance in the use of those resources.

16. We carried out our initial assessment of materiality for the financial statements during the planning phase of the audit. On receipt of the financial statements we reviewed our planning materiality calculations and concluded that they remained appropriate and these are summarised in [exhibit 1](#).

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## Exhibit 1

### Materiality

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

Source: Annual Audit Plan 2017/18

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## Misstatements

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

## Significant findings from the audit (ISA 260)

18. 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.

# Part 2

## Financial sustainability and governance statement



### Main judgements

**The Joint Committee has secured contribution of £32,000 towards the running costs for 2018/19. 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 complies with guidance.**

### Financial performance 2017/18

**19.** In December 2016, the Joint Committee secured contributions totalling £32,000 from the eight member authorities towards the running costs for 2017/18. As the administering authority, South Lanarkshire Council are responsible for managing the Joint Committee's running costs within the available budget.

**20.** During 2017/18, the Comprehensive Income and Expenditure Statement (CIES) reported expenditure of £61,000. This comprised expenditure on training, on behalf of participating councils, of £31,000, and running costs of £30,000.

**21.** The income reported in the CIES is £62,000. This represents training costs recharged to users and the contributions of participating councils. The £1,000 underspend against running costs has been carried forward for use in future years.

### Future funding

**22.** In December 2017 the Joint Committee secured contributions totalling £32,000 from the eight member authorities towards the running costs of the project for 2018/19. This will ensure the project can continue to operate for the next 12 months.

**23.** Proposals regarding the future and funding of the Clyde Valley Learning and Development Project were presented to members in December 2017. Members were asked to consider whether the Clyde Valley Learning and Development Project still provides value for money and appropriate outcomes and benefits when set against the financial contributions made by the participating councils.

**24.** An increased minimum level of funding was agreed in principle and the Project Minute of Agreement is to be updated accordingly. It was also agreed in principle that the structure and funding model for the project was to be reviewed on an annual basis. As part of the review of the funding model the Joint Committee should ensure that a formal agreement is in place which specifies the level of service, and costs therefor, to be provided by South Lanarkshire Council as administering authority.

**25.** The Joint Committee's sustainability is dependent on the participating councils continued support. There is evidence that participating councils will continue to support the existence of the Joint Committee for the foreseeable future.



## Annual governance statement

**26.** We concluded that the information in the annual governance statement is consistent with the financial statements and had been prepared in accordance with the CIPFA/SOLACE guidance: ***Delivering Good Governance in Local Government: Framework (2016)***.

## Internal controls

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

**28.** 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.

**29.** 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.

# Appendix 1

## Action plan 2017/18



No. Issue/risk

Recommendation

Agreed management action/timing

### Follow up of prior year recommendations

b/f	<p><b>1. Accumulated Funds</b></p> <p>2016/17 is the third year in a row that contributions from member authorities towards running costs have exceeded the actual costs. As a result, £6,000 has now been accumulated and carried forward as a creditor at 31 March 2017.</p> <p>There is a risk that funds are retained by the project which should be returned to the member authorities.</p>	<p>The Joint Committee should monitor the level of the accumulated funds and consider reimbursing the contributing authorities with their share of the balance or reducing future contributions.</p>	<p><b>2017/18 Update:</b></p> <p>The Joint Committee has resolved to apply the funds to approved projects.</p>
b/f	<p><b>2. Attendance of members at Joint Committee meetings</b></p> <p>The elected members representing two of the member authorities did not attend any of the meetings held during 2016/17.</p> <p>There is a risk that the non-attendance of members reduces the effectiveness of the governance arrangements.</p>	<p>Representatives from all member authorities should attend the Joint Committee meetings to ensure that the scrutiny and governance arrangements in place can operate effectively.</p>	<p><b>2017/18 Update:</b></p> <p>Letters were issued to all Member Councils regarding attendance at meetings. An exercise is currently underway to determine the type of membership each Council wishes to hold going forward and this will determine whether they are required to attend the meetings of the Joint Committee.</p>

# Appendix 2

## 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. The risks are categorised between those where there is a risk of material misstatement in the annual report and accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Audit risk	Assurance procedure	Results and conclusions
<b>Risks of material misstatement in the financial statements</b>		
<p><b>1 Risk of management override of controls</b></p> <p>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 include consideration of the risk of management override of controls.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance.</p>	<p>No unusual transactions were identified. Concluded that there was no risk to the integrity of the financial statements.</p>
<p><b>2 Financial sustainability</b></p> <p>CVLDJC relies on contributions from the participating councils each financial year.</p> <p>There is a risk that in future years the Joint Committee will no longer be able to secure the same level of funding from participating councils.</p>	<p>Commitment of participating councils to the CVLDJC forward programme.</p>	<p>From the minutes of the Joint Committee there is no evidence that the Joint Committee lacks support to deliver a forward programme of training. A level of funding similar to previous years has been secured for 2018/19.</p>

# Clyde Valley Learning and Development Joint Committee

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