

# Clyde Valley Learning and Development Joint Committee

2016/17 Annual  
Audit Report



 AUDIT SCOTLAND

To Members of the Clyde Valley Learning and Development Joint Committee and the Controller of Audit

28 August 2017

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- 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.
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- 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.



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Our vision is to be a world-class audit organisation that improves the use of public money.

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 the 2016/17 Annual Accounts

- 1 We have provided an unqualified audit opinion on the 2016/17 Annual Accounts.

## Financial management

- 2 The administering authority, South Lanarkshire Council, have managed the Joint Committee's running costs within the available budget.

## Financial sustainability

- 3 The Joint Committee have secured contributions of £32,000 towards the running costs of the project for 2017/18 which will ensure they can operate as a going concern for the next 12 months.

## Governance and transparency

- 4 The effectiveness of the governance arrangements in place is diminished by the non-attendance of representatives from two member authorities at Joint Committee meetings during 2016/17.

## Value for money

- 5 There is a risk that a reduction in the level of training provided through the joint approach is no longer providing value for money for constituent authorities.

# Introduction

1. This report is a summary of the findings arising from the 2016/17 audit of the Clyde Valley Learning and Development Joint Committee (CVLDJC).
2. The scope of the audit was set out in our Annual Audit Plan, issued in February 2017. This report sets out our findings from:
  - our audit of the 2016/17 Annual Accounts
  - our consideration of the four dimensions, [exhibit 1](#), that frame the wider scope of public sector audit, to the extent that they are applicable to the activity of the Joint Committee.

## Exhibit 1 Audit dimensions



Source: Code of Audit Practice 2016

3. The Treasurer is responsible for the preparation of the Annual Accounts in accordance with proper practices set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).
4. Our responsibility, as the external auditor of the Clyde Valley Learning and Development Joint Committee, is to undertake our audit in accordance with International Standards on Auditing, the principles contained in the Code of Audit Practice issued by Audit Scotland and the ethical standards issued by the Auditing Practices Board.
5. Further details of the respective responsibilities of management and the auditor can be found in Audit Scotland's [Code of Audit Practice 2016](#).

- 6.** The 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 their responsibility for the preparation of the Annual Accounts.
- 7.** This report includes an action plan at [appendix 1](#). It sets out recommendations, arising from our audit.
- 8.** As part of the requirement to provide full and fair disclosure of matters relating to our independence, we can confirm that we have not undertaken any non-audit related services. The 2016/17 agreed fee for the audit was £1,790 and, as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.
- 9.** This report is addressed to both 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.
- 10.** The cooperation and assistance afforded to the audit team during the course of the audit is gratefully acknowledged.

# Part 1

## Audit of the 2016/17 Annual Accounts



### Main judgement

Unqualified audit opinion on the Annual Accounts .

#### Unqualified audit opinion

**11.** The Annual Accounts for the year ended 31 March 2017 was approved by the Joint Committee on 28 August 2017. Our independent auditor's report includes:

- an unqualified opinion on the financial statements
- unqualified opinions on the management commentary and the statement of governance and internal control.

**12.** We have nothing to report in respect of those matters on which we are required to report by exception.

#### Submission of the Joint Committee's Annual Accounts for audit

**13.** We received the unaudited Annual Accounts and working papers on 22 May 2017. Finance staff provided good support to the audit team which helped ensure that the audit process ran smoothly.

#### Risk of material misstatement

**14.** [Appendix 2](#) summarises the risks of material misstatement and one "wider audit dimension" risk, which were identified during the planning process and influenced our audit approach.

#### 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 affect the perceptions and decisions of users of the financial statements. 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).

**16.** Our initial assessment of materiality was undertaken during the planning phase of the audit and was based on the gross expenditure reported in the audited 2015/16 Annual Accounts. On receipt of the unaudited 2016/17 Annual Accounts we reviewed our original materiality figures and revised the levels to reflect the gross expenditure for the year ended 31 March 2017, [exhibit 2](#).

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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.

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## Exhibit 2

### Materiality

Materiality level	Amount
<b>Overall materiality</b> – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It was set at 1% of gross expenditure for the year ended 31 March 2017.	£670
<b>Performance materiality</b> – 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 50% of overall materiality.	£335
<b>Reporting threshold</b> – We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. We consider that an appropriate figure of interest to members would be £100.	£100

### Findings from the audit in accordance with ISA260

**17.** International Standard on Auditing 260 (UK & Ireland) requires us to communicate to you significant findings from the audit.

**18.** No monetary errors were found during the audit.

**19.** In accordance with normal audit practice, a number of minor presentational and disclosure amendments were discussed and agreed with management. We do not consider any of those amendments significant enough to require them to be communicated to you under ISA 260.



# Part 2

## Financial management



### Main judgement

The administering authority, South Lanarkshire Council, have managed the Joint Committee's running costs within the available budget.

### Financial performance in 2016/17

**20.** In November 2015 the Joint Committee secured contributions totalling £32,000 from the eight member authorities towards the running costs of the project for 2016/17. As the administering authority South Lanarkshire Council are responsible for managing the Joint Committee's running costs within the available budget.

**21.** The Comprehensive Income and Expenditure Statement (CIES) for the year ended 31 March 2017 reports expenditure for the year of £67,000. This comprises expenditure on training, on behalf of member authorities, of £37,000 and running costs of £30,000.

**22.** The income reported in the CIES is £69,000. This represents training costs recharged to member authorities and member authority contributions £32,000. The £2,000 underspend against the running costs budget has been carried forward for use in future years.

### Accumulated funds

**23.** 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. The Joint Committee should monitor the level of the accumulated funds and consider reimbursing the contributing authorities with a share of the balance, or reducing future contributions.

*[Action Plan \(Appendix 1, point 1\)](#)*

### Internal controls

**24.** All CVLDJC's transactions are processed through South Lanarkshire Council's financial systems. As part of the 2016/17 South Lanarkshire Council audit we reviewed and tested the key controls over these systems. This testing did not identify any significant control weaknesses which could affect the Joint Committee's ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the Annual Accounts

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

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# Part 3

## Financial sustainability

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### Main judgement

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**The Joint Committee have secured contributions of £32,000 towards the running costs of the project for 2017/18 which will ensure they can operate as a going concern for the next 12 months.**

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### Funding

**25.** In December 2016 the Joint Committee secured contributions totalling £32,000 from the eight member authorities towards the running costs of the project for 2017/18. This will ensure the project can continue to operate for the next 12 months.

### Current and future activity

**26.** During 2016/17, the project provided training courses costing £37,000 to staff from member authorities and the cost of these courses was recovered from the relevant authorities. This represented a significant decrease in the level of activity in the prior year when training costs for member councils totalled £146,000. Management have advised that the reduced activity was attributable to First Aid training no longer being delivered through the CVLDJC. This also meant that running costs as a proportion of total expenditure increased from 17% in 2015/16 to 45% in 2016/17. The reduced level of activity presents a risk to the viability of the Joint Committee.

**27.** In December 2016 the Clyde Valley Learning and Development Project Implementation Steering Group presented a report to the Joint Committee on the future of the project. This recommended that they explore an alternative focus for 2017/2018 with existing live project work continuing to be developed and managed, and new project work identified to create additional learning and development opportunities for the member authorities.

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Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

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# Part 4

## Governance and transparency



### Main Judgement

**Appropriate arrangements are in place to enable effective scrutiny of decision making. The effectiveness of these arrangements is diminished by the non-attendance of representatives from two member authorities at Joint Committee meetings during 2016/17.**

#### Governance arrangements

**28.** The Clyde Valley Learning and Development Joint Committee comprises two thirds elected members (one councillor from each of the eight member authorities) and one third representative officers from the Clyde Valley Consortium. CVLDJC is responsible for:

- approving the Project Work Plan
- monitoring progress against the Work Plan
- ensuring financial probity, and
- approving specific recommendations in relation to each project subject area.

**29.** The Joint Committee is supported by an officer led Project Implementation Steering Group which is responsible for managing day-to-day operational matters.

**30.** We conclude that appropriate arrangements to enable effective scrutiny of decision making are in place. However, it was noted from review of the Joint Committee's minutes that the elected members representing two of the member authorities did not attend any of the Joint Committee meetings during 2016/17, and have rarely attended their meetings since 2013/14. The lack of engagement from these members diminishes the effectiveness of the scrutiny and governance arrangements in place.

*[Action Plan \(Appendix 1, point 2\)](#)*

#### Transparency

**31.** Transparency means that the public have access to understandable, relevant and timely information about how the Joint Committee is taking decisions and how it is using resources. As minutes and supporting papers from all Joint Committee meetings are readily available on the South Lanarkshire Council website we are satisfied that CVLDJC conducts its business in an open and transparent manner.

#### Management commentary and annual governance statement

**32.** The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 requires the Joint Committee to prepare and publish, along with its

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making and transparent reporting of financial and performance information.

financial statements, an annual governance statement and management commentary that are consistent with the disclosures made in the financial statements.

**33.** We concluded that the management commentary and annual governance statement are consistent with the financial statements.

### **Remuneration report**

**34.** The Local Authority Accounts (Scotland) Amendment Regulations 2011 require local authorities in Scotland to prepare a Remuneration Report as part of the financial statements.

**35.** As CVLDJC makes no payment of salary, allowances or pension contributions to any of the councillors who are appointed members of the Joint Committee, and do not employ any officers who fall within the relevant definition of individuals that are to be disclosed in such a report, a remuneration report is not required. A note has been included within the Annual Accounts to explain this to users.

# Part 5

## Value for money



### Main judgement

The objective of the project is to deliver value for money through a shared approach to training, learning and development between the member authorities. There is a risk that the reduction in the level of training provided through the joint approach is no longer providing value for money for constituent authorities.

### Best Value

36. The overall objective of the project is to deliver value for money through a shared approach to training, learning and development between the member authorities 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, and
- developing centres of excellence from which to deliver models suitable for replication nationally.

37. As reported in the Financial Sustainability section of this report there has been a significant reduction in the level of training provided through the project. There is a risk that the reduction in the level of training provided through the joint approach is no longer providing value for money for constituent authorities. The Project Implementation Steering Group are already aware of this issue and are looking to identify new project work to create additional learning and development opportunities for the member authorities.

Value for money is concerned with using resources effectively and continually improving services.

[Action Plan \(Appendix 1, point 3\)](#)

# Appendix 1

## Action plan 2016/17

### 2016/17 recommendations for improvement

Page no.	Issue/risk	Recommendation	Agreed management action/timing
9	<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><b><i>There is a risk that funds are retained by the project which should be returned to the member authorities.</i></b></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>Narrative on agreed action. Responsible officer. Agreed date.</p>
11	<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><b><i>There is a risk that the non-attendance of members reduces the effectiveness of the governance arrangements.</i></b></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>Narrative on agreed action Responsible officer Agreed date</p>
13	<p><b>3. Decrease in activity</b></p> <p>There has been a significant reduction in the level of training provided through the project.</p> <p><b><i>There is a risk that the reduction in the level of training provided through the joint approach is no longer providing value for money for constituent authorities.</i></b></p>	<p>The Project Implementation Steering Group are already aware of this issue and are looking to identify new project work to create additional learning and development opportunities for the member authorities.</p>	<p>Narrative on agreed action Responsible officer Agreed date</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 opinion on the financial statements.

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 includes consideration of the risk of management override of controls.</p>	<ul style="list-style-type: none"> <li>Review of journal entries.</li> <li>Testing of accruals and prepayments.</li> </ul>	<p>Our audit procedures did not uncover evidence of management override of controls.</p>
<b>Risks identified from the auditor's wider responsibility under the Code of Audit Practice</b>		
<p><b>2 Financial sustainability</b></p> <p>CVLDJC relies on contributions from the partner 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>	<ul style="list-style-type: none"> <li>Review budget and funding arrangements for 2017/18 programme.</li> <li>Consider pattern of demand for training from partner councils.</li> </ul>	<p>While the level of training activity has reduced significantly during 2016/17, the Joint Committee have secured contributions of £32,000 towards the running costs of the project for 2017/18. We therefore have no concerns that they can operate as a going concern for the next 12 months but have reported a risk that the joint approach may not be delivering value for money to the member authorities.</p>

# Clyde Valley Learning and Development Joint Committee

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