

***Clyde Valley Learning and
Development Joint Committee***
Annual Report to Elected Members
and the Controller of Audit for the
financial year ended 31 March 2013

September 2013



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The principal objective of our audit procedures is to enable us to express our opinion, in line with the requirements of the Audit Scotland Code of Audit Practice, on the financial statements as a whole. Our audit opinion does not guarantee that the financial statements are free from misstatement. Any oral comments made in discussions with you relating to this report are not intended to have any greater significance than explanations of matters contained in the report. Any oral comments that we make do not constitute oral advice unless we confirm any such advice formally in writing.

The matters raised in this and other reports that flow from the audit are only those which have come to our attention arising from or relevant to our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising, and in particular we cannot be held responsible for reporting all risks at the Clyde Valley Learning and Development Joint Committee or all internal control weaknesses. This report has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose.

1. Introduction

Purpose of this report

- 1.01 This Annual Report is primarily intended to direct your attention to matters of significance that have arisen out of the 2012/13 audit process. The report is not only addressed to Members, but it is also addressed to the Controller of Audit who appoints us as your external auditor.

Scope of the Audit

- 1.02 Our overall responsibility as external auditor of Clyde Valley Learning and Development Joint Committee ('the Committee') is to undertake our audit in accordance with the principles contained in the Code of Audit Practice issued by Audit Scotland in March 2012. In this regard, the Code sets out the need for public sector audits to be planned and undertaken from a wider perspective than in the private sector involving not only assurance on the financial statements but also consideration of areas such as regularity, propriety, performance and the use of resources. It also sets out the need to recognise that the overall audit process is a co-ordinated approach involving the "appointed auditor", the Controller of Audit and other auditors.
- 1.03 Our audit for 2012/13 has been planned and conducted throughout the year to take into account these wider responsibilities and our obligations set out in the Code of Practice.
- 1.04 Under the requirements of the International Standard on Auditing (UK and Ireland) ('ISA') 260: "*Communication of audit matters to those charged with governance*", we are required to communicate audit matters arising from the audit of the financial statements to those charged with governance of an entity. Based on this definition, we have assumed the Committee fulfil this responsibility. This Annual Report to Members discharges our requirements under ISA 260.

Acknowledgment

- 1.05 We would like to formally extend our thanks to all South Lanarkshire Council Officers for the assistance they have given us during the audit process.

2. *Audit Process and Financial Position*

Our Audit Opinion

- 2.01 The Local Government (Scotland) Act 1973 requires that, following the completion of an audit, the auditors shall place on the abstract of accounts a certificate which sets out the basis on which they have formed their audit opinion. Our opinion on the accounts states that the financial statements:
- give a true and fair view in accordance with applicable law and the 2012/13 Code of the state of the affairs of the local government body as at 31 March 2013 and of the income and expenditure of the local government body for the year then ended;
 - have been properly prepared in accordance with IFRS as adopted by the European Union, as interpreted and adapted by the 2012/13 Code; and
 - have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.
- 2.02 Our opinion for the year ended 31 March 2013, as set out in the format presented by the Accounts Commission is **unqualified**.

Audit Process

- 2.03 The financial statements for the Committee have been prepared in accordance with the accounting requirements set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the 2012/13 Code).
- 2.04 The accounts were approved by the Treasurer for issue on 10 June 2013 and presented to Audit Scotland by 30 June 2013. The financial statements and supporting schedules were presented to us for audit within the agreed timetable. The quality of supporting working papers provided and internal review process undertaken by management were of a good standard. Overall we believe an efficient audit process was achieved and an effective working relationship exists with the South Lanarkshire Council finance staff who prepare the financial statements on behalf of the Committee.

Adjustment to the draft Financial Statements

- 2.05 Our audit of the financial statements identified minor disclosure adjustments which have been amended by Management in the final audited financial statements.
- 2.06 Under international auditing standard (“ISA”) 260 – “Communication of audit matters to those charged with governance” we are required to report all unadjusted errors identified during the course of our audit to Members of the Clyde Valley Learning and Development Joint Committee, in their governance role. We are pleased to report that all adjustments proposed have been agreed with management and are reflected in the audited financial statements.

Financial Position for the year ended 31 March 2013

- 2.07 The Committee's (surplus)/deficit on the provision of service for the year ended 31 March 2013 was nil. Expenditure for the year was £151,000 (2011/12: £179,000) made up of administration costs and payments to other bodies. Expenditure was matched with a release of deferred income from Scottish Government grant, which was received to assist in the set up of the Committee, recharges to member local authorities and funding contributions totalling £32,000.
- 2.08 The general fund balance as at 31 March 2013 is nil.
- 2.09 The Committee was initially set up with funding from the Scottish Government, (via South Lanarkshire Council) of £560,000 in 2007/08. This funding has been matched to expenditure on projects since this time; with £5,000 remaining and carried forward into 2012/13. To ensure the Committee continues as a going concern, all constituent members approved future funding of the Committee from their 2012/13 budgets of £5,000, (£3,000 for smaller Authorities) for use during 2013/14. As a separate legal entity the Committee has access to the loans' fund of South Lanarkshire Council in order to meet its cash flow requirements. If funding should no longer be provided for the Committee, the service will still continue and will be passed back to the constituent authorities.

3. Governance and Internal Financial Control

- 3.01 It is part of management's overall responsibility to design and maintain appropriate systems of internal control to provide reasonable assurance that the accounting systems provide timely, accurate and reliable financial information and to safeguard Clyde Valley Learning and Development Joint Committee's assets.
- 3.02 As auditors, we obtain a sufficient understanding of internal controls to plan the audit. The understanding includes knowledge about the design of policies and procedures and whether they have been implemented, but does not necessarily extend to evaluating the operating effectiveness of all such policies and procedures. We only evaluate, and test, those internal controls on which we plan to rely on during our audit and which are required in relation to our Code of Audit Practice responsibilities. Accordingly, an audit would not usually identify all matters of interest to management in discharging its responsibilities.

Key Financial Controls

- 3.03 The Committee utilises the key financial systems in place at South Lanarkshire Council in particular general ledger, payroll, accounts payable and accounts receivable. Therefore appropriate systems audit work has been undertaken as part of our 2012/13 audit of South Lanarkshire Council including sample testing of relevant controls. No issues were noted in relation to the controls we tested that are applicable to the Committee.

Statement of Internal Financial Control

- 3.04 The financial statements, in accordance with the Code include a statement on the system of internal financial control which has been signed by the Committee's Treasurer. This statement sets out the financial control arrangements in place for the year and future reviews planned. This statement is in line with the requirements set out in the 2012/13 Code.

4. ISA 260 Communications to those charged with governance

4.01 International Standards on Auditing (“ISA”) (UK&I) 260 – Reporting to those charged with Governance, requires that the External Auditor communicates certain matters to those charged with governance. Summarised below is how we have addressed these requirements for the Committee:

Communication Required under ISA 260	Reference/Comment
Engagement Letters	✓ Signed Engagements Letter with Audit Scotland at the start of our 5 year appointment and updated annually.
Independence	✓ We confirmed in our Audit Strategy letter there are no matters which may be perceived to impact the independence and objectivity of the audit team.
Audit Approach and Scope	✓ Our approach to the audit is based upon an understanding of the Committee and its business. Compliance with International Standards on Auditing (ISAs) is integral to our approach and our methodology is undertaken to ensure compliance with the additional requirements of the APB’s Practice Note 10 – Audit of the Financial Statements of Public Bodies in the UK.
Materiality	✓ Our base calculation for materiality is based on total expenditure in year and our approach is in line with Accounting Standards Guidance.
Form and Timing of Communications	✓ Agreed as per Audit Scotland’s planning guidance, and agreed with Council officers and the Treasurer of the Committee.
Accounting Policies/Estimates/Disclosures	✓ No matters to report.
Correspondence with management on significant matters	✓ There were no significant accounting matters. Disclosure matters have been resolved during our fieldwork.
Letter of Representation	✓ Signed on 25 September.
Other matters significant to the oversight of financial reporting process and material uncertainties relating to Going Concern	✓ Funding arrangements for beyond 2013/14 have still to be finalised. Should arrangements not be agreed with the Local Authority members, outstanding monies will be returned and service provision will return to a local authority level.
Related Parties	✓ Other than those transactions disclosed in the financial statements we have not identified any further transactions requiring disclosure.
Fraud	✓ There are no matters to report.
Material Weaknesses in Internal Controls	✓ Due to the reliance on South Lanarkshire Council processes, internal controls findings have been reported separately in our South Lanarkshire Council ‘Interim Management Letter 2012/13’. No findings related to the controls applicable to the Committee.

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