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South Lanarkshire Council

Financial Statements Audit
2011/12
ISA 260 Presentation
September 2012

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1. Our Audit Opinion

Financial Statements

- ✓ All audit adjustments requested by PwC have been processed by management. There are no unadjusted misstatements to report.
- ✓ Our opinion for the year ended 31 March 2012 is unqualified.

Statement on the System of Internal Financial Control

- ✓ Statement is in compliance with the Code and is not inconsistent with other information we are aware of from our normal audit procedures.

2. Significant Audit and Accounting Matters

Audit Process

- ✓ Financial Statements and supporting schedules received for audit within agreed timescales.
- ✓ Working papers provided were of a good standard.
- ✓ Council officers answered queries promptly ensuring an efficient audit process.

Key Accounting Matters

During the course of our audit we have identified the following significant aspects of the Council's accounting practices:

- Equal Pay contingent liability
- PPE Reconciliations

2. Significant Audit and Accounting Matters

Provisions and Contingent Liabilities – Equal Pay	<p>The Council is subject to a number of ongoing equal pay claims. Where it is not possible to quantify values in terms of likelihood of success and value of final claims, the claims have been disclosed as a contingent liability.</p> <p>We have considered the contingent liability against the criteria set out IAS 37 – Provisions, Contingent Liabilities and Contingent Assets and the Code of Audit Practice on Local Authority Accounting and we are satisfied with management’s accounting treatment for these equal pay claims.</p>
Property Plant & Equipment - System	<p>The Oracle Fixed Assets (OFA) system is not able to effectively process a range of transactions relating to property, plant and equipment revaluations. While the Council is aware of these issues and carry out regular reconciliations to ensure no errors are carried forward, this increases the administrative burden on the capital accountants.</p> <p>Reconciliations are undertaken on a periodic basis to keep track of the true value of the assets' revaluation reserve; however this work is often time consuming and an inefficient use of time. South Lanarkshire Council is in the process of testing an Oracle software update to try to address these system issues. The results of this testing will allow the Council to ascertain if the Oracle software is a fit for purpose fixed asset module going forward.</p>

3. Financial Outturn 2011/12

- A General Fund surplus of £1.994 million was generated in 2011/12, increasing the General Fund balance as at 31 March 2012 to £10.470 million.
- This balance of £10.470 million equates to 1.46% of Annual Budgeted Net Expenditure (for 2012/13) and the in-year movement of £1.994 million reflects a 23.5% increase in uncommitted funds.
- Other available useable Council Reserves of £92.491 million include a combination of Housing Revenue Accounts, Capital Receipts Reserve, Capital Fund, Renewal & Repairs Fund, and Insurance Fund.
- This remains in line with the 5 year reserve strategy of the Council.

4. Financial Outlook for 2012/13 and beyond

- The financial outlook for the Council is challenging with savings of £12.249 million in the next financial year. The revenue budget for 2012/13 has been set at £718.216 million, which accounts for planned savings of £12.249 million.
- Council tax levels remain unchanged for the fifth year in a row.
- The Council's revised composite capital programme budget is £117.737 million as at July 2012 (2011/12 actual spend £118.110 million).
- The Welfare Reform Bill set out plans to fundamentally overhaul the benefits system. The Council's Executive Committee approved the Council's Welfare Reform Action Plan in September 2012 and agreed on the approach to communication of Welfare Reforms. This will have a significant impact on Council arrangements across Resources

5. Internal control and governance reporting

Interim Management Letter 2011/12

- Our report identified 2 recommendations.
- One of these was in respect of an Accounts payable ongoing reconciling item which was concluded in June 2012. The remaining recommendation relates to Budgetary Setting Procedures following the resource restructuring.
- This recommendations will be followed up in the normal course of your 2012/13 audit.

Follow up of 2010/11 Audit Recommendations during the 2011/12 Audit

- Excellent progress has been made by the Council on the 16 recommendations followed up in this report.
- At May 2012, only three items remained in progress. We are satisfied that due to the nature of the actions, reasonable progress is being made to achieve the recommendation.

6. Communications to those charged with governance

ISA 260 requires external auditors to communicate certain matters to those charged with governance during the course of the audit; set out below are these key communications, together with reference to the relevant comments.

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	Audit Planning document report to Risk and Audit Scrutiny forum 23 February 2012 and confirmed no member of audit team has any direct interest, financial or otherwise, in South Lanarkshire Council
Audit Approach and Scope	Audit Planning document (reported to Risk and Audit Scrutiny forum 23 February 2012)
Materiality	Audit Planning document (reported to Risk and Audit Scrutiny forum 23 February 2012)
Form and Timing of Communications	Audit Planning document (reported to Risk and Audit Scrutiny forum 23 February 2012)
Accounting Policies/Estimates/Disclosures	To be included in our Annual Report to Members and the Controller of Audit
Correspondence with management on significant matters	Discussed and resolved matters arising with management throughout audit process.
Letter of Representation	Signed by the Director of Finance and Corporate Resources on 28 September 2012.
Other matters significant to the oversight of financial reporting process and material Uncertainties relating to Going Concern	None identified.
Related Parties	Other than those transactions disclosed in the financial statements we have not identified any further transactions requiring disclosure.
Fraud	Discussed fraud arrangements with the Risk and Audit Scrutiny Forum and management throughout audit process.
Material Weaknesses in Internal Controls	Internal Controls findings reported separately in our 'Interim Management Letter 2011/12'.

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