

Clyde Valley Learning and Development Joint Committee

Annual Report to Members and the Controller of Audit

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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.

Executive Commentary

Our overall responsibility as the external auditor of the Clyde Valley Learning and Development Joint Committee ("the Committee") is to undertake our audit in accordance with the principles contained in the Audit Scotland Code of Audit Practice.

Independent Auditors' report and audit process (Section 2)

We are pleased to report that our opinion on the financial statements for the year ended 31 March 2009 is **unqualified**.

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.

Our audit of the financial statements identified minor disclosure and financial adjustments which have now been amended by Management in the financial statements.

Financial Position 2008/09 (Section 2)

The Committee's net operating expenditure for the year ended 31 March 2009 was nil. Expenditure for the year was £182,000 made up of administration costs, payments to other bodies and financing charges. This was matched with income from Scottish Government grant, which was received to assist in the set up of the Committee.

The general fund balance as at 31 March 2009 is nil due to £415,000 being recorded as deferred income (creditor) as it relates to income received as part of a three year grant. This grant is being released over three years as expenditure is incurred. The balance remaining at 31 March 2009 is invested in the South Lanarkshire Council's loans fund (current assets).

Governance and Internal Financial Control (Section 3)

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 2008/09 audit of South Lanarkshire Council. The output of our key financial controls work has been reported to the Council's Risk Management and Audit Scrutiny Forum during 2008/09. There were no critical weaknesses identified from our work or weaknesses which impact on the Committee.

PricewaterhouseCoopers LLP
141 Bothwell Street
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G2 7EQ

12 October 2009

1. Introduction

Purpose of this report

- 1.01 The Annual Report which follows is primarily designed to direct your attention to matters of significance that have arisen out of the 2008/09 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 2007.
- 1.03 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.
- 1.04 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 such as Audit Scotland's Local Government Public Reporting Group and the Best Value Team.

- 1.05 Our audit for 2008/09 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.

- 1.06 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.

- 1.07 This Annual Report to Members discharges our requirements under ISA 260.

Acknowledgment

- 1.08 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

- 2.01 The Clyde Valley Learning and Development Joint Committee was established in September 2007. The Joint Committee prepared accounts for a seven month period to 31 March 2008 and has now completed a full year to 31 March 2009.

Our Audit Opinion

- 2.02 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 relevant legal and regulatory requirements and the 2008 SORP, of the financial position of the Clyde Valley Learning and Development Joint Committee as at 31 March 2009 and the income and expenditure for the year then ended;
- have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

- 2.03 Our opinion for the year ended 31 March 2009, as set out in the format presented by the Accounts Commission is unqualified.

Audit Process

- 2.04 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 UK 2008 – A Statement of Recommended Practice (“SORP”).

- 2.05 The accounts were approved by the Treasurer for issue on 26 June 2009 and presented to Audit Scotland by 30 June 2009. 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

- 2.06 Our audit of the financial statements identified minor disclosure and financial adjustments which have now been amended by Management in the audited financial statements.
- 2.07 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 2009

- 2.08 The Committee's net operating expenditure for the year ended 31 March 2009 is nil. Expenditure for the year was £182,000 made up of administration costs, payments to other bodies and financing costs. This was matched with income from Scottish Government grant, which was received to assist in the set up of the Committee and applies for a three year period.
- 2.09 The general fund balance as at 31 March 2009 is nil due to £415,000 being recorded as deferred income (creditor) as it relates to income received as part of the three year grant awarded by the Scottish Government. This grant is being released over the three years as expenditure is incurred. The balance remaining at 31 March 2009 is invested in the South Lanarkshire Council's loans fund (within current assets on the Committee's Balance sheet).

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 2008/09 audit of South Lanarkshire Council. During the course of our interim controls work we noted certain minor exceptions in respect of the Council's financial systems, which have been discussed and agreed with management. Agreed actions are reflected in a detailed action plan monitored by South Lanarkshire Council officers. None of the weaknesses identified were critical to the operation of the committee.

Statement of Internal Financial Control

- 3.04 The financial statements, in accordance with the SORP 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 SORP.

Freedom of Information Act (Scotland) 2002

In the event that, pursuant to a request which the institution has received under the Freedom of Information Act (Scotland) 2002 or the Environmental Information Regulations 2004 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the “Legislation”), South Lanarkshire Council is required to disclose any information contained in this report, it will notify PwC promptly and will consult with PwC prior to disclosing such report. South Lanarkshire Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such report. If, following consultation with PwC, South Lanarkshire Council discloses any of this report or any part thereof; it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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