

Government and Public Sector

August 2007

# Lanarkshire Valuation Joint Board Annual Report to Members and the Controller of Audit

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Lanarkshire Valuation Joint Board  
North Stand  
Cadzow Avenue  
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ML3 0LU

The Controller of Audit  
Audit Scotland  
110 George Street  
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28 August 2007

Our ref: CDR/JM/HW

Ladies and Gentlemen

**Annual Report to Members of the Lanarkshire Valuation Joint Board and the Controller of Audit  
2006/07**

We have completed our audit of Lanarkshire Valuation Joint Board and its financial statements for the year ended 31 March 2007.

The Annual Report which follows is primarily designed to direct your attention to matters of significance that have arisen out of the 2006/07 audit process.

We would like to take this opportunity to offer our thanks to those members of management and staff who have assisted us during the course of the audit.

Yours faithfully

PricewaterhouseCoopers LLP

# 1. Introduction

- 1.01 Our overall responsibility as external auditor of Lanarkshire Valuation Joint Board (“the Board) is to undertake our audit in accordance with the principles contained in the Code of Audit Practice issued by Audit Scotland in March 2007.
- 1.02 The Board and the Treasurer are, together with other matters, responsible for:
- Ensuring proper administration of the Board’s financial affairs;
  - Managing the Board’s affairs to secure economic, efficient and effective use of resources and safeguard its assets;
  - Selecting suitable accounting policies and applying them consistently;
  - Making judgements which are prudent and estimates that are reasonable and prudent in line with the CIPFA/LAASAC Code of Practice on Local Authority Accounting in the United Kingdom; and
  - Maintaining proper accounting records.
- 1.03 In this regard, we are responsible for issuing an audit report (opinion) on:
- Whether the financial statements present fairly the financial position of the Board as at 31 March 2007 and its income and expenditure for the year ended; and
  - Whether the financial statements have been properly prepared in accordance with the Local Government (Scotland) Act 1973.
- 1.04 Under the requirements of 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 financial statements to those charged with governance of an entity. This report discharges the requirements of ISA 260.

# 2. Independent Auditors' Report

## 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 audit has been conducted in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Code of Audit Practice;
- The respective responsibilities of management and auditors in relation to the accounts; and
- Whether, in the auditors' opinion, the accounts present fairly the financial position of the Board as at 31 March 2007.

2.02 Our opinion for the year ended 31 March 2007, which is in the format prescribed by the Accounts Commission is **unqualified**.

**Our opinion is set out in full in Appendix 1.**

# 3. The Audit Process and Accounting Issues

## **Audit Process**

- 3.01 The financial statements and supporting schedules were presented to us for audit within the agreed timetable. The quality of working papers provided and internal review process undertaken by management were of a reasonable standard. Overall we believe an efficient audit process was achieved and an effective working relationship exists with your staff.

## **Preparation of Financial Statements**

- 3.02 The financial statements require to be prepared in accordance with the accounting requirements set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2006 – A Statement of Recommended Practice (“SORP”).
- 3.03 The 2006 SORP requires the statutory accounts to consist of five main statements and associated notes:
- The Board’s Income and Expenditure Account which details the Board’s income and expenditure for the year ended 31 March 2007
  - The Statement of the Movement on the General Fund which adjusts the surplus or deficit on the Income and Expenditure account for amounts required by statute and non-statute to show an overall surplus or deficit for the year
  - A Statement of Total Recognised Gains and Losses;
  - Balance Sheet as at 31 March 2007
  - Cash Flow Statement
- 3.04 Our audit of the financial statements identified a number of disclosure, format and other issues which have now been adjusted by Management; leading to a set of financial statements that comply with the requirements of the 2006 SORP.

## **Financial Statement Approval**

- 3.05 The draft Accounts were signed by the Treasurer on 7 June 2007 and submitted to the Controller of Audit by the statutory deadline of 30 June 2007. The audited Accounts will be signed by the required deadline of 31 August 2007.
- 3.06 In addition, during the course of our audit of the financial statements we identified an accounting issue concerning the carry forward of unspent balances.

- 3.07 Valuation Boards are not permitted to carry forward a surplus or a deficit due to the fact that income in year needs to be restricted by statute to the amount of expenditure. The in-year Income and Expenditure account may show a surplus/deficit due to the inclusion of FRS 17 pension costs. However, once the required reconciling adjustments have been made to this initial surplus/deficit within in the Statement of the Movement on the General Fund ("SMGF"), Valuation Board's should show a zero balance. Effectively a break even position with no surplus or deficit carried forward.
- 3.08 The draft accounts presented for audit recorded an overall surplus in the SMGF of £80,000. Through discussion with management it was determined that, in accordance with guidance, the £80,000 should be treated as deferred income and therefore recorded on the Balance Sheet within creditors.
- 3.09 As a result the creditors balance has increased by £80,000 compared with the draft accounts and the SMGF shows a zero carry forward.
- 3.10 In order to ensure consistency and appropriate treatment for prior year accounts Management has amended the disclosure within the SMGF for the year ended March 2006 to show a zero carry forward on the General Fund. This disclosure adjustment has been highlighted within the Board's Explanatory Foreword.

## 4. Systems of Internal Control

- 4.01 It is part of management's overall responsibility to design and maintain an appropriate system of internal controls to provide reasonable assurance that the accounting systems provide timely, accurate and reliable financial information and to safeguard Lanarkshire Valuation Joint Board's assets.
- 4.02 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.
- 4.03 The Board utilises the 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 2006/07 audit of South Lanarkshire Council.

### **Internal Audit**

- 4.04 Internal audit services are provided by South Lanarkshire Council to the Board and the Risk and Audit Manager has expressed the following view in her Annual Report for 2006/07:

"It is my view that the systems for internal control were reasonably effective during 2006/07 and will be improved through implementation of the recommended actions from internal audit and external audit reports"

# Appendix 1 Audit Opinion

## **Independent auditor's report to the members of Lanarkshire Valuation Joint Board and the Accounts Commission for Scotland**

We certify that we have audited the financial statements of Lanarkshire Valuation Joint Board for the year ended 31 March 2007 under Part VII of the Local Government (Scotland) Act 1973. These comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet and Cash Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to the parties to whom it is addressed in accordance with the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Accounts Commission for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### **Respective responsibilities of the Treasurer and auditor**

The Treasurer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2006 - A Statement of Recommended Practice (the 2006 SORP) are set out in the Statement of Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission.

We report our opinion as to whether the financial statements present fairly the financial position of the Board in accordance with applicable laws and regulations and the 2006 SORP, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973. We also report if, in our opinion, the Foreword is not consistent with the financial statements, if the Board has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We review whether the Statement on the System of Internal Financial Control reflects the Board's compliance with the SORP. We report if, in our opinion, it does not comply with the SORP or if it is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the statement covers all risk and controls. Neither are we required to form an opinion on the effectiveness of the Board's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements, the financial statements being the only part of the Annual Report which we have audited. This other information comprises only the Financial Statement by the Treasurer and Accounting Policies. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.



## **Basis of audit opinion**

We conducted our audit in accordance with Part VII of the Local Government (Scotland) Act 1973 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Accounts Commission. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Treasurer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Board's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## **Opinion**

In our opinion

- the financial statements present fairly, in accordance with applicable laws and regulations and the 2006 SORP, the financial position of the Board as at 31 March 2007 and its income and expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

PricewaterhouseCoopers LLP  
Glasgow

31 August 2007

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