



## Central Scotland Valuation Joint Board

Report on the 2008-09 Audit

19 August 2008

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# 1 Executive Summary

## Introduction

We have audited the financial statements of the Central Scotland Valuation Joint Board (the Board) for the year ending 31 March 2009 and examined aspects of the Board's governance arrangements. This report sets out our key findings and discharges our responsibilities under ISA 260 - reporting matters arising from our audit to those charged with governance.

## Key Findings

We plan to give an unqualified opinion on the financial statements of the Board for the 2008-09 financial year. There are no material adjusted or unadjusted differences to the accounts following our audit.

The draft financial statements were presented for audit in accordance with the agreed timetable. The accounts and supporting working papers were of a good standard and, as a result, few findings emerged from the audit process.

Our audit has not identified any weaknesses in internal control arrangements during the year. The Board has fully addressed the three recommendations made in our 2007-08 audit. A summary of the actions taken to address these prior year recommendations is contained as an Appendix to this report.

## Status of our Report

This report is part of a continuing dialogue between the Board and Grant Thornton UK LLP and is not, therefore, intended to cover every matter, which came to our attention. Our procedures are designed to support our audit opinion and they cannot be expected to identify all weaknesses and inefficiencies in the Board's systems and work practices.

The report is not intended for use by third parties and we do not accept responsibility for any reliance that third parties may place on it. The report will be submitted to the Accounts Commission for Scotland and will be published on their website at [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

## Acknowledgements

We would like to take this opportunity to thank the staff who have been involved in this review for their assistance and co-operation.

## 2 Detailed Findings

### Introduction

In accordance with the Code of Audit Practice we are required to audit the financial statements of the Board for the year ended 31 March 2009 and examine aspects of the Board's governance arrangements.

We audit the financial statements and give an opinion on whether:

- they present fairly the Board's financial position as at 31 March 2009 in accordance with Part VII of the Local Government (Scotland) Act 1973 (the Act) and the CIPFA 2007 Statement of Recommended Practice (2007 SORP); and
- the Statement on the System of Internal Financial Control is consistent with the information we obtain through our audit.
- information which comprises the management commentary, included with the Annual Report, is consistent with the financial statements.

We also review the Statement on the System of Internal Financial Control by:

- considering compliance with relevant guidance
- considering the adequacy of the process put in place by the Board to obtain assurances on systems of internal financial control
- assessing whether disclosures in the Statement are consistent with the information emerging from our normal audit work.

### Overall Conclusion

We are able to conclude that the Board's financial statements give a true and fair view of the financial position for the period from 1 April 2008 to 31 March 2009. We confirm that information which comprises the management commentary, included with the Annual Report, is consistent with the financial statements.

### Follow up of 2007-08 Recommendations

We are pleased to note that the Board has fully implemented the 3 recommendations emerging from our 2007-08 audit. Our 2008-09 audit has not identified any significant weaknesses in internal control arrangements.

### Matters Arising

We have given an unqualified opinion on the Board's 2008-09 financial statements. Under ISA 260, we are required to communicate certain matters arising from the audit to those charged with governance. The areas considered are summarised in the table below:

Area	Key Messages
Independence and objectivity of the audit team	<p>We are able to confirm our independence and objectivity as auditors and note the following:</p> <ul style="list-style-type: none"> <li>• we are independently appointed by Audit Scotland;</li> <li>• we comply with the Auditing Practices Board's Ethical Standards; and</li> <li>• we have not performed any non Code of Audit Practice (the Code) or advisory work during the year.</li> </ul>
Quality of the Accounts	<p>The draft financial statements were presented for audit in accordance with the agreed timetable. The accounts and supporting working papers were of a good standard and, as a result, few adjustments were required following our audit.</p>
Approach to the audit	<p>Our approach to the audit was set out in our 2008-09 audit plan. We have planned our audit in accordance with International Auditing Standards and the Code. Other key factors to highlight include:</p> <ul style="list-style-type: none"> <li>• we consider the materiality of items in the financial statements both in determining the approach to audit them and in determining the impact of any errors; and</li> <li>• the Board's financial affairs are managed by Clackmannanshire Council and rely on the Council's financial systems for processing, recording and reporting transactions. Grant Thornton UK LLP are also the auditors of Clackmannanshire Council and, during the 2008-09 financial year, we performed audit work on the core financial systems in operation at the Council. Our work did not identify any specific control weaknesses in the financial systems operated by the Council that we need to draw to the Board's attention.</li> </ul>
Material risks and exposures	<p>The Board has considered and confirmed that it has no material risks and exposures, which should be reflected in the financial statements, and the Treasurer will confirm this in the Letter of Representation.</p>

Area	Key Messages
Accounting policies and practices	<p>Management agreed to our request for additional disclosure in respect of financial instruments to reflect the additional requirements of the 2008 SORP.</p> <p>Following this, we consider that the Treasurer has adopted appropriate accounting policies in the areas covered by our testing, in accordance with the SORP.</p> <p>The Treasurer has considered and confirmed that the Board remains a going concern and confirms this in the Letter of Representation.</p>

#### Accounting Issues:

There are no adjusted differences to report.

#### Summary of unadjusted audit differences

	Income and Expenditure Account		Balance Sheet	
	Dr £ '000s	Cr £ '000s	Dr £ '000s	Cr £ '000s
<b>Adjustments affecting reported results</b>				
Understatement of bad debt provision	8			8
Correction for Credit Note to Invoice		5	5	4
Adjustment to reflect actual pension contributions		4	4	
Accruals not processed	2			2
Understatement of depreciation charge	1			1

The overall effect of the above adjustments would be to decrease the net expenditure for the year by £1,608 and this is not considered material

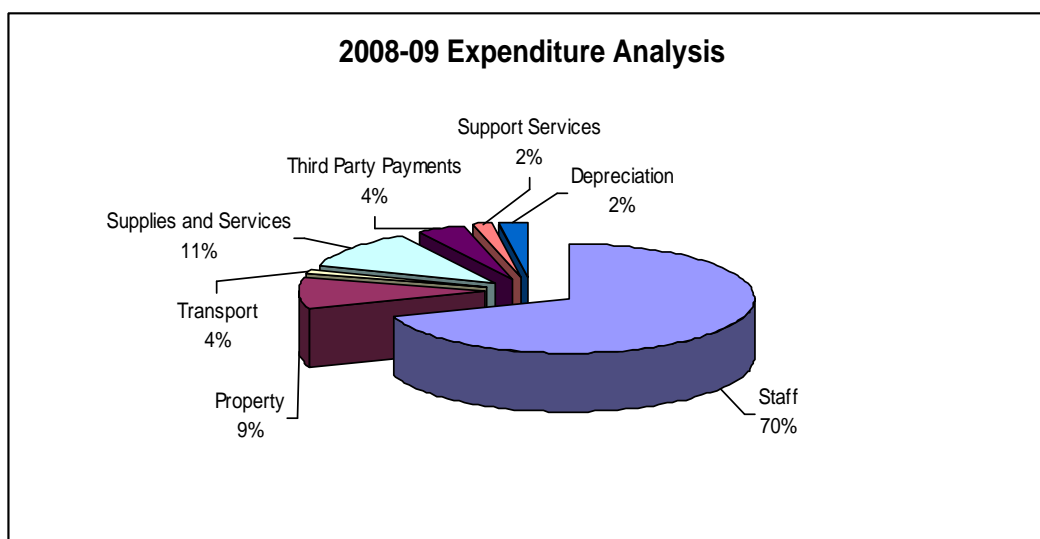
### Financial Position

The Board's Income and Expenditure Account for the year records a deficit of £73,000. Funding from Constituent Authorities in the year was £2.632 million with other income of £109,000 mainly from the Modernising Government Fund (MGF) to cover the costs of the National Assessors Project.

The Board incurred gross operating expenditure of £2.762 million compared to the budget of £2.642 million, representing an overspend of £120,000. Staff costs were underspent by £64k due to vacancies not being filled during the year. This was offset by an overspend on the National Assessors Project (£100k) the costs of which were met from the MGF. Notional depreciation costs of £68k were not included in the original budget.

Staff costs account for the significant majority of Board expenditure (70%). A more detailed analysis of expenditure is shown in figure one:

**Figure One - Analysis of the Board's 2008-09 gross expenditure**



The Board's general fund balance at 31 March 2008 was £0.167 million representing 6% of gross expenditure for the year. The Board's balance sheet records net liabilities at 31 March 2009 of £2.519 million (2007:08: £0.822 million) almost entirely due to pension fund liabilities which have risen from £1.1 million to £2.8 million over the year, reflecting largely more pessimistic assumptions with regard to investment returns.

Pension costs are met as they are incurred from the Board's revenue expenditure on an ongoing basis. The pension liability reflects the full pension costs that will have to be met by the Board over the longer term.

The Board is funded from annual requisitions from constituent authorities under the Valuation Joint Boards (Scotland) Order 1995. Funding requisitions are based on the expenditure forecast prepared for each financial year, which include estimates of likely pension costs for that year. The Board has agreed the level of requisitions for the year ending 31 March 2009 in order to meet its expenditure requirements and the Board, therefore, considers that it has sufficient funding to meet ongoing liabilities.

## 2.1 International Financial Reporting Standards

The Board will be required to adopt International Financial Reporting Standards (IFRS) in the preparation of the 2010-11 accounts. The Board's 2009-10 accounts will also require to be re-stated under IFRS accounting rules to provide appropriate comparative information.

The adoption of IFRS is likely to impact on the way the Board's financial results are reported in the future. In particular employee benefits, such as accrued annual leave, may be recorded on the Board's balance sheet.

Grant Thornton provides an annual training workshop for the Board's finance staff on developments in accounting and auditing standards and we will continue to work closely with the Board's finance team over the period of our appointment.

**Grant Thornton UK LLP**  
**19 August 2009**



### 3 Appendix A: Follow Up Review

No	Finding	Risk	Recommendation	Management Response	Position at August 2008
1	The 2006-07 financial statements required a number of presentational amendments following the audit.	Medium	A supervisory check of the draft accounts should be undertaken prior to submission for audit.	Agreed.	<b>Addressed</b>  A supervisory review of the draft accounts is now undertaken prior to submission to audit.
2	The Board's accounts advert did not comply with the Local Authority (Scotland) Regulations 1985 as it did not specify a 21 day period for objections to be raised by members of the public.	High	The Board should ensure that future accounts adverts comply with relevant Regulations.	Agreed  The advert ran from Monday 13th till Friday 31st of August, but to fully comply should have been held over till Sunday 2nd September.	<b>Addressed</b>  We noted however that the 2007-08 advert included an error relating to audit contact details. This was addressed, and the advert subsequently reissued.

No	Finding	Risk	Recommendation	Management Response	Position at August 2008
3	The Board is treated as a separate cost centre within Clackmannanshire Council's ledger rather than a separate entity.	Medium	The Board should undertake a review of its financial management arrangements.	Agreed, but only in part as separate arrangements would lead to higher administration costs.	<b>Addressed</b>  We are satisfied following review that the arrangements in place are appropriate for the Board.



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