

Grampian Valuation Joint Board

Annual Report to Members and the
Controller of Audit for the year
ended 31 March 2012

August 2012



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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 Grampian Valuation Joint Board 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 2011/12 audit process. The report is addressed to Members and the Controller of Audit.

Scope of the Audit

- 1.02 Our overall responsibility as appointed external auditor of Grampian Valuation Joint Board ('the Joint Board') is to undertake our audit in accordance with the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011. In this regard, the Code sets out the need for public sector audits to be planned and undertaken from a wider perspective than the financial statements by considering, where applicable, areas such as regularity, propriety, performance and the use of resources. The Code of Audit Practice 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 its Best Value Team.
- 1.03 Our audit for 2011/12 has been planned and conducted throughout the year to take into account these wider responsibilities.
- 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. This Annual Report to Members discharges our requirements under ISA 260.

Acknowledgment

- 1.05 We would like to formally extend our thanks to all Moray 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 Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (“the 2011/12 Code”) of the state of the affairs of the Joint Board as at 31 March 2012 and of the income and expenditure of the Joint Board 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 2011/12 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 2012, as set out in the format required by the Accounts Commission, is **unqualified**.

Audit Process

- 2.03 The financial statements for the Joint Board have been prepared in accordance with the accounting requirements set out in the 2011/12 Code.
- 2.04 The accounts were approved by the Treasurer for issue on 31 May 2012 and presented to Audit Scotland by 30 June 2012. 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 that an effective working relationship exists with the Moray Council accountancy staff who prepare the financial statements on behalf of the Joint Board.

Adjustment to the draft Financial Statements

- 2.05 Our audit of the financial statements identified minor disclosure adjustments which have now been amended by Management in the 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 Joint Board in their governance role. We are pleased to report that there were no unadjusted misstatements.

Financial Position for the year ended 31 March 2012

	£m	£m	Comment
General Fund balance brought forward		0.123	
Cost of services	(3.753)		
Income from services	0.010		Income from constituent authorities is matched against expenditure. The Joint Board's additional income in relation to rating, valuation and electoral registrations; bank interest; and gain on pension assets accounts for the surplus.
Income from investments	0.045		
Requisitions from constituent authorities	3.913		
Surplus on provision of services		0.215	
Adjustments relating to depreciation and movements in the pension reserve	0.025		
Total under spend against budget in 2011/12		0.240	
Notional carry forward		0.363	
Maximum general fund balance permitted		0.196	Budgeted net expenditure for 2011/12 was £3.913m. At 5% of the budget, £0.196m is the maximum general fund balance that the Board is permitted to maintain.
Taken to general fund in 2011/12		0.073	
Returned to authorities		0.167	

2.07 Income and expenditure have fallen since the prior year and this reduction results mainly from vacant staff posts which have not been filled. Administrative expenses were also under budget levels due to reductions in postage, printing and stationary expenses. Overall, there was a total under spend in the year of £0.24m against budget.

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 the Joint Board'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 Joint Board utilises the key financial systems in place at Moray Council in particular general ledger, payroll, accounts payable and accounts receivable. Therefore our systems audit work has been undertaken as part of our 2011/12 audit of Moray Council. During the course of our interim controls work at Moray Council we noted only minor exceptions in respect of those Council financial systems which apply to the Joint Board. None of the matters identified constituted a significant weakness in control or were critical to the operation of the Joint Board.

Statement of Internal Financial Control

- 3.04 The financial statements, in accordance with the 2011/12 Code, include a statement on the system of internal financial control which has been signed by the Joint Board's Treasurer. This statement sets out the financial control arrangements in place for the year, including internal audit reviews that were undertaken, and the risk management process utilised, including key risks faced by the Joint Board. This statement is in line with the requirements set out in the 2011/12 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 Joint Board:

Communication Required under ISA 260	Reference/Comment
Engagement Letters	✓ Signed Letter of Appointment from Audit Scotland at the start of our 5 year appointment and updated annually.
Independence	✓ We confirm that there were 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 Joint Board 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 calculation for materiality is based on total expenditure in year and our approach is in line with Auditing Standards.
Form and Timing of Communications	✓ Agreed as per Audit Scotland’s planning guidance, and agreed with Moray Council officers.
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	✓ To be signed in August 2012 prior to audit completion.
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	✓ No matters to report have come to our attention as part of our normal audit work.
Material Weaknesses in Internal Controls	✓ Due to the reliance on Moray Council processes, internal control findings have been reported separately in our Moray Council Interim Management Letter 2011/12. There are no additional matters to report.

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