

Orkney and Shetland Valuation Joint Board

Annual report on the 2012/13 audit



Prepared for Members and the Controller of Audit
August 2013

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Key Messages

2012/13

We have given an unqualified opinion that the financial statements of Orkney and Shetland Valuation Joint Board for 2012/13 give a true and fair view of the state of the body's affairs and of its net expenditure for the year. No significant issues were identified during the audit.

Overall, the Joint Board's arrangements for the prevention and detection of fraud were satisfactory during 2012/13. From our review of the key controls within the main financial systems, we concluded that the joint board's systems of internal control are operating effectively.

Outlook

We confirm the financial sustainability of the joint board on the basis of its financial position. The financial position going forward is, however, becoming even more challenging than previous years with limited increases in funding coupled with increasing cost pressures. This represents a major challenge for the joint board and expenditure during the year will require to be closely monitored to identify and address any emerging budget pressures or projected overspends at an early stage.

Introduction

1. This report is the summary of our findings arising from the 2012/13 audit of Orkney and Shetland Valuation Joint Board. The purpose of the report is to set out concisely the scope, nature and extent of the audit. It summarises our opinion (i.e. on the financial statements) and conclusions on significant issues arising.
2. The report also reflects our overall responsibility to carry out an audit in accordance with the public sector audit model which is based on the Code of Audit Practice prepared by Audit Scotland (May 2011). This sets out the wider dimensions of the public sector audit which involves, not only the audit of the financial statements, but, also, consideration of areas such as financial performance and corporate governance. An audit of the financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements prepared by management; however this does not relieve management of their responsibilities in this respect. This report has been prepared for the use of the joint board and no responsibility to any third party is accepted.
3. [Appendix A](#) is an action plan setting out the high level risk we have identified from the audit. Officers have considered the issue and agreed to take the specific step in the column headed "planned management action". We do not expect all risks to be eliminated or even minimised. What we expect is that the joint board understands its risks and has arrangements in place to manage these risks. Members should ensure that they are satisfied with the proposed management action and have a mechanism in place to assess progress.
4. This report is also addressed to the Controller of Audit and will be published on our website after consideration by the joint board.

Financial statements

Conduct and scope of the audit

5. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in the Annual Audit Plan and follow the requirements of the Code of Audit Practice prepared by Audit Scotland in May 2011.
6. As part of the requirement to provide full and fair disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2012/13 agreed fee for the audit was disclosed in the Annual Audit Plan and, as we did not require to carry out any additional work outwith our planned audit activity, this fee remains unchanged.

Audit opinion & accounting issues

7. We intend to give an unqualified opinion that the financial statements of the Joint Board for 2012/13 give a true and fair view of the state of the body's affairs and of its net expenditure for the year. The audit opinion will be formally issued at the beginning of September 2013.
8. We received the unaudited financial statements on 14 June 2013 in accordance with the agreed timetable. The working papers were of a high standard and the staff provided good support to the audit team and we completed our on-site fieldwork on 26 July 2013. The joint board is required to follow the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and we can confirm that the financial statements have been properly prepared in accordance with these accounting requirements.

Significant findings (ISA260)

9. No significant issues were identified during the course of the audit.

Financial position

2012/13 Outturn

10. The main financial objective for Orkney and Shetland Valuation Joint Board is to ensure that the financial outturn for the year is within the agreed resource budget.
11. The joint board performance against the resource budgets for 2012/13 is detailed in Table 1 below.

Table 1: Resource Budget

	Final Budget (£)	Actual Outturn (£)	Under / (Over) spend (£)
Employee Costs	411,460	452,567	(41,107)
Operating Costs	173,018	161,315	11,703
Fees and Charges	(3,233)	(24,840)	21,607
Total	581,245	589,042	(7,797)

Source: OSVJB Statement of Accounts 2012-13

2012/13 Financial position

12. In 2012/13, Orkney and Shetland Valuation Joint Board spent £619,485 (£583,327 2011/12) on the provision of services. After accounting for sales, fees and charges and requisitions from members, the resulting deficit on the provision of services was £5,603 (£10,300 surplus 2011/12). The significant reason for the deficit is mainly due to higher interest costs and lower expected return on employer assets for pension interest costs.
13. The budget set for 2012/13 was based on planned contributions of £581,245 (£606,911 2011/12) from the constituent authorities. The Treasurer summarised performance against budget in the Explanatory Foreword to the accounts. Overall, there was an overspend of £7,797 (£16,182 underspend 2011/12) before adjusting the accounts for IAS 19 entries. This was mainly due to an increase in costs for postage, property rental and pensions.
14. The joint board does not hold a general fund balance at the year end. The joint board holds a pension reserve which shows a pension liability of £1,323,000, an increase from £1,113,000 in the previous year.
15. The employee statutory adjustment account shows a liability of £6,443 (£8,840 2011/12). This reserve absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the general fund is neutralised by transfers to or from the account.

Financial planning

16. In January 2013 the joint board approved the 2013/14 budget of £580,519. The joint board is wholly funded by Orkney and Shetland Islands Councils and both councils continue to work within challenging financial targets. To meet the agreed 2013/14 budget, it is important that the joint board has effective financial management arrangements in place.

Refer Action Plan 1

Corporate governance and systems of internal control

Overall governance arrangements

17. The Code of Audit Practice gives auditors a responsibility to review and report on audited bodies' corporate governance arrangements and, overall, we found the Orkney and Shetland Valuation Joint Board had sound governance arrangements in place which included a number of standing committees overseeing key aspects of governance.

Accounting and internal control systems

18. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole. However, the extent of this work should also be informed by their assessment of risk and the activities of internal audit.
19. No material weaknesses in the accounting and internal control systems were identified during the audit which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.

Prevention and detection of fraud and irregularity

20. In our Annual Audit Plan we highlighted the responsibility audited bodies have for establishing arrangements to prevent and detect fraud and other irregularities. In our opinion, the overall arrangements for the prevention of fraud at Orkney and Shetland Valuation Joint Board are satisfactory, although it should be noted that no system can eliminate the risk of fraud entirely.

Standards of conduct and arrangements for the prevention and detection of corruption

21. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions. Auditors consider whether bodies have adequate arrangements in place. No issues have been identified by us for inclusion in this report.

Best value

Best value and performance

22. Achievement of Best Value or value for money depends on the existence of sound management arrangements for services, including procedures for planning, appraisal, authorisation and control. Audited bodies are responsible for ensuring that these matters are given due priority and resources, and that proper procedures are established and operate satisfactorily.

23. The Local Government (Scotland) Act 1973 places a duty on the auditors of local government bodies to be satisfied that proper arrangements have been made for securing Best Value and complying with responsibilities relating to community planning.
24. We also have a responsibility to review and report on the arrangements of Orkney and Shetland Valuation Joint Board to prepare and publish performance information in accordance with directions issued by the Accounts Commission.
25. The joint board publishes performance indicators on its website. These provide key statistics on the council tax list and valuation roll. There are currently no performance indicators for the electoral registration service.
26. The Electoral Commission publishes each Electoral Registration Officer's Performance Standards which can be 'Below the Standard', 'Meeting the Standard' or 'Above the Standard'. For 2012, the joint board is rated as either 'Meeting the Standard' or 'Above the Standard' in all ten performance standards.
27. The Assessor and Electoral Registration Officer reports on best value issues to the board through twice yearly reports covering council tax, non-domestic rating and electoral registration. A three-year service plan and annual action plan is also presented to the board during the year.

Acknowledgements

28. We would like to express our thanks to the staff of Orkney and Shetland Valuation Joint Board for their help and assistance during the audit of this year's financial statements which has enabled us to provide an audit report within the agreed timetable.

Appendix A: Action Plan

Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	16	Without effective financial management arrangements to ensure that the 2013/14 budget is met, there is a risk that the joint board will not meet its statutory duties.	<p>A robust approach was taken to budget setting for 2013-14, which accepted unavoidable cost pressures but challenged operating budgets with a view to reducing them. The Valuation Board agreed a stand-still budget, which meant that £40,000 of cost pressures had been absorbed within the existing budget level.</p> <p>Monitoring of the budget is performed on a monthly basis to ensure that expenditure within budget, and reports are presented at Joint Board meetings which set out progress.</p>	<p>Treasurer</p> <p>Assessor as Lead Officer</p>	Immediate