

Orkney and Shetland Valuation Joint Board

Annual report on the 2013/14 audit



Prepared for Members and the Controller of Audit
August 2014

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Key Messages

2013/14

We have given an unqualified opinion that the financial statements of Orkney and Shetland Valuation Joint Board for 2013/14 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 2013/14. 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 Board on the basis of its financial position. The financial position in the future will, however, become more challenging than previous years with limited increases in funding coupled with rising cost pressures. Reductions in the level of funding uplifts to constituent councils will reduce their ability to provide significant increases in contributions to the Board.

As for many local authorities, financial sustainability will remain a key challenge for the joint board and expenditure during the year will require close monitoring to identify and address any emerging budget pressures at an early stage.

The Joint Board will have additional work pressures in 2014/15 as a result of the individual electoral registration reforms and the independence referendum.

Introduction

1. This report is the summary of our findings arising from the 2013/14 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 2013/14 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 2013/14 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 2014.

We received the unaudited financial statements on 16 June 2014 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 27 July 2014. The joint board is required to follow the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and we can confirm that the financial statements have been properly prepared in accordance with these accounting requirements.

Significant findings (ISA260)

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

Financial position

2013/14 Outturn

9. 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.
10. The joint board operated within the resource budgets for 2013/14 as detailed in Table 1 below which also shows the variances between budget and actual figures for the year.

Table 1: Resource Budget

	Final Budget (£)	Actual Outturn (£)	Under / (Over) spend (£)
Employee Costs	453,010	456,530	(3,520)
Operating Costs	150,617	130,666	19,951
Fees and Charges	(23,107)	(31,210)	8,103
Specific Grant Income	0	(9,027)	9,027
Total	580,520	546,959	33,561

Source: OSVJB Statement of Accounts 2013-14

2013/14 Financial position

11. In 2013/14, Orkney and Shetland Valuation Joint Board incurred expenditure of £642,681 (£638,485 2012/13) on providing its services. After accounting for sales, fees and charges, specific grant income and requisitions from members, the resulting deficit on the provision of services was £55,485 (£24,603 deficit 2012/13). The deficit is mainly due to lower contributions provided by constituent councils but the overall costs of the Board have risen slightly since the prior year.
12. The 2013/14 budget was based on planned contributions of £580,520 (£581,245 2012/13) from the constituent authorities. The Explanatory Foreword to the accounts states that, overall, there was an underspend of £33,561 (£7,797 overspend 2012/13) before adjusting the financial statements to account for pensions. This was mainly due to an underspend in training costs, subsistence and property costs. In addition the Board received unbudgeted Individual Electoral Registration income of £16,271.
13. 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 £1,466,000, an increase from £1,323,000 in the previous year.
14. The employee statutory adjustment account shows a liability of £10,928 (£6,443 2012/13). 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

15. In March 2014, the Joint Board approved the 2014/15 budget, which was prepared with a view to minimising increases in required funding contributions from Local Authorities. The joint board is primarily funded by Orkney and Shetland Islands Councils who both continue to work within challenging financial targets. To meet the agreed 2014/15 budget, the Joint Board will have to continue to monitor financial performance and manage cost pressures. It is noted that savings were realised in the 2013/14 year, such as those achieved through the re-location of the Joint Board's Shetland office.

Refer Action Plan 1

Corporate governance and systems of internal control

Overall governance arrangements

16. 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

17. 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.
18. 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

19. 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

20. 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

21. 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.
22. 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.
23. 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.
24. 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; however performance information is available from the Electoral Commission for Electoral Registration Officer's Performance Standards. The joint board was rated as either 'Meeting the Standard' or 'Above the Standard' in all ten performance standards for the year.
25. 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

26. 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	15	Without regular financial reporting and effective cost management arrangements to ensure the 2014/15 budget is met, there is a risk that the Joint Board will not meet its statutory duties.	<p>The VJB budget is monitored closely throughout the year, with relevant financial information being reported to the Joint Board.</p> <p>Opportunities are taken wherever possible to maximise income and make efficiencies as the current financial strategy for the Joint Board continues to be challenging going forward due to the financial pressures on the constituent authorities.</p>	Treasurer	31 March 2015