

# *Grampian Valuation Joint Board*

Annual Report to Officers and the  
Controller of Audit for the year  
ended 31 March 2014

27 August 2014



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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.

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# 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 2013/14 audit process. The report is not only addressed to officers, but it is also addressed to the Controller of Audit who appoints us as your external auditor.

## *Scope of the Audit*

- 1.02 Our overall responsibility as 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 in the private sector involving not only assurance on the financial statements but also consideration of areas such as regularity, propriety, performance and the use of resources. It 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 the Best Value Team.
- 1.03 Our audit for 2013/14 has been planned and conducted throughout the year to take into account these wider responsibilities and our obligations set out in the Code of Practice.
- 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 and Assessor's staff for the assistance they have given us during the audit process.

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## 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 CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (“the 2013/14 Code”) of the state of the affairs of the Joint Board as at 31 March 2014 and of its income and expenditure 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 2013/14 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 2014, as set out in the format presented 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 2013/14 Code. All disclosure changes proposed as part of the audit have been adjusted.
- 2.04 The accounts were approved by the Treasurer for issue on 30 May 2014 and presented to Audit Scotland by 30 June 2014. 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 an efficient audit process was achieved and an effective working relationship exists with the Moray Council accountancy staffs that 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 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 2014

- 2.07 The Joint Board's deficit on the provision of services for the year ended 31 March 2014 was £0.372million. After allowing for the reversal of statutory charges for International Accounting Standard 19 (IAS19) of £0.357m, depreciation and impairment totalling £0.18m, there remains a surplus of £0.003m which has been transferred to the General Fund.

Expenditure for the year was £3.96million, a reduction of £36,000 from the restated prior year. £3.927m of requisitions was received in the year from Aberdeen City Council, Aberdeenshire Council and Moray Council, as the Joint Board's constituent authorities. However, at year end £0.309million was included as a creditor to these constituent authorities to account for requisition income not spent. This has been allocated between the constituent authorities on the basis of population.

- 2.08 The Board agreed that transfers to the General Fund would be restricted to 3% of the total budget in any one year and the cumulative balance would not exceed 5% of the total budget for that year. The General Fund balance as at 31 March 2014 is £196,000, which is the maximum permitted by the Board. There was no movement in the Capital Fund in the year.

### Performance against budget

- 2.09 Overall, there was a total under spend in the year of £312,000 against budget. This can be analysed as follows:

	£
Staff Costs	191,000
Property Costs	31,000
Transport Costs	(5,000)
Supplies and Services	(103,000)
Support Services	(8,000)
Income	206,000
<b>Net Underspend Against Budget</b>	<b><u>312,000</u></b>

The main reason for the underspend in staff costs was vacant posts. The Property Costs budget was increased in 2013/14 in anticipation of an increase in the annual service charge payable to Aberdeenshire Council for the Board's occupancy of Woodhill House. However, in the event this did not materialise, resulting in an underspend against budget. Supplies and Services expenditure was over budget in relation to postages, IT expenses and general expenses. This is attributable to the costs associated with the Young Voter Canvas although this was partially offset by additional income to cover the implementation costs of Individual Electoral Registration and Young Voter Registration.

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## ***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 would only 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. During the course of our work at Moray Council we noted no control deficiencies in respect of the Council's financial systems which are also applicable to the Joint Board.

### ***Statement of Internal Financial Control***

- 3.04 The financial statements, in accordance with the 2013/14 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, including the key risks faced by the Joint Board. This statement is in line with the requirements set out in the 2013/14 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 Engagements Letter with Audit Scotland at the start of our 5 year appointment and updated annually.
Independence	✓ We confirmed there are 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 2% of total expenditure in year, resulting in an overall materiality of £84,120. 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 2014.
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	✓ There are no matters to report.
Material Weaknesses in Internal Controls	✓ There are no matters to report.

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