

# ***Grampian Valuation Joint Board***

**Annual Report to Officers and the  
Controller of Audit for the year  
ended 31 March 2013**

29 August 2013



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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 2012/13 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 2012/13 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 Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (“the 2012/13 Code”) of the state of the affairs of the Joint Board as at 31 March 2013 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 2012/13 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 2013, 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 2012/13 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 29 May 2013 and presented to Audit Scotland by 30 June 2013. 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 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.

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### ***Financial Position for the year ended 31 March 2013***

- 2.07 The Joint Board's deficit on the provision of services for the year ended 31 March 2013 was £57,000. Expenditure for the year was £3.72million, a reduction of £30,000 from the prior year. The fall in expenditure results mainly from vacant staff posts which were not filled due to recruitment being frozen to achieve efficiencies. £3.66m of requisitions was received in the year from Aberdeen City Council, Aberdeenshire Council and Moray Council, as the Joint Board's constituent authorities. However, this was partly offset by additional expenditure incurred in the year relating to pension interest costs.
- 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 2013 is £193,000, which is the maximum permitted by the Board. £1,000 was transferred to the Capital Fund in the year and the remaining under spend will be returned to the Joint Board's constituent authorities.

### ***Performance against budget***

- 2.09 Overall, there was a total under spend in the year of £195,000 against budget. The main areas of underspend related to staff costs, which were £110,000 less than budget and property costs. Property costs were budgeted to increase but as no rental increase was applied for Woodhill House an under spend against budget resulted.

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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 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 appropriate systems audit work has been undertaken as part of our 2012/13 audit of Moray Council. During the course of our interim controls work at Moray Council we noted no exceptions 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 2012/13 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 2012/13 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 base 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 2013.
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	✓ Due to the reliance on Moray Council processes, internal controls findings have been reported separately in our Moray Council Interim Management Letter 2012/13. There are no additional weaknesses to report.

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