

# Lanarkshire Valuation Joint Board

## Annual Report to Members and the Controller of Audit

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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 Lanarkshire 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.

# Executive Commentary

Our overall responsibility as the external auditor of Lanarkshire Valuation Joint Board ("the Board) is to undertake our audit in accordance with the principles contained in the Audit Scotland Code of Audit Practice.

## Independent Auditors' report and audit process (Section 2)

We are pleased to report that our opinion on the financial statements for the year ended 31 March 2010 is **unqualified**.

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.

Our audit of the financial statements identified a number of minor disclosure adjustments which have been amended by Management in the final financial statements.

During 2009/10 total income was received of £3.684 million of which £3.711 million was received from precepts from North Lanarkshire Council and South Lanarkshire Council. The additional income received during the year was in respect of fees and charges.

The income and expenditure account for 2009/10 is shown in Appendix 1 of this report for information.

## Governance and Internal Financial Control (Section 3)

The Board utilises the key financial systems in place at South Lanarkshire Council, in particular the general ledger, payroll, accounts payable and accounts receivable. Therefore appropriate systems audit work has been undertaken as part of our 2009/10 audit of South Lanarkshire Council.

## Business Issues (Section 4)

Within Section 4 of our report we have outlined a number of potential business issues and challenges likely to be faced by the Board going forward.

PricewaterhouseCoopers LLP  
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30 September 2010

# 1. Introduction

## Purpose of this report

- 1.01 The Annual Report which follows is primarily designed to direct your attention to matters of significance that have arisen out of the 2009/10 audit process. The report is not only addressed to Members, 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 Lanarkshire Valuation Joint Board ('the Board') is to undertake our audit in accordance with the principles contained in the Code of Audit Practice issued by Audit Scotland in March 2007.
- 1.03 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.

- 1.04 Our audit for 2009/10 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.

- 1.05 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.

- 1.06 This Annual Report to Members discharges our requirements under ISA 260.

## Acknowledgment

- 1.07 We would like to formally extend our thanks to all South Lanarkshire Council Officers for the assistance they have given us during the audit process.

## 2. Independent Auditors' Report and Audit Process

### 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 relevant legal and regulatory requirements and the 2009 SORP, of the financial position of Lanarkshire Valuation Joint Board as at 31 March 2010 and the income and expenditure for the year then ended;
  - have been properly prepared in accordance with the Local Government (Scotland) Act 1973.
- 2.02 Our opinion for the year ended 31 March 2010, as set out in the format presented by the Accounts Commission, is unqualified.

### Audit Process

- 2.03 The financial statements for the Board have been prepared in accordance with the accounting requirements set out in the Code of Practice on local authority Accounting in the UK 2009 – A Statement of Recommended Practice ("SORP").

- 2.04 The accounts were approved by the Treasurer for issue on 30 June 2010 and presented to Audit Scotland. 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 South Lanarkshire Council finance staff.

### Adjustment to the draft Financial Statements

- 2.05 Our audit of the financial statements identified a number of minor disclosure adjustments which have been amended by Management in the final 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 Lanarkshire Valuation Joint Board, in their governance role. We are pleased to report that all adjustments proposed have been agreed with management and are reflected in the financial statements.

## 2009/10 Financial Position

- 2.07 During 2009/10 total income was received of £3.684 million of which £3.711 million was received from precepts from North Lanarkshire Council and South Lanarkshire Council. The additional income received during the year was in respect of fees and charges.
- 2.08 The Income and Expenditure account for 2009/10 is set out in Appendix A for information.

# 3. Governance and Internal Financial Control

3.01 It is part of management's overall responsibility to design and maintain an appropriate system of internal controls to provide reasonable assurance that the accounting systems provide timely, accurate and reliable financial information and to safeguard Lanarkshire Valuation 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.

## Financial Controls

3.03 The Board utilises the key financial systems in place at South Lanarkshire Council, in particular the general ledger, payroll, accounts payable and accounts receivable. Therefore appropriate systems audit work has been undertaken as part of our 2009/10 audit of South Lanarkshire Council. During the course of our interim controls work we noted a number of exceptions in respect of the Council's financial systems, which have been discussed and agreed with management. Agreed actions are reflected in a detailed action plan monitored by South Lanarkshire Council officers.

## Internal Audit

3.04 Internal audit services for the Board are provided by South Lanarkshire Council through a service level agreement. During the year internal audit undertook work in accordance with the Internal Audit Plan which was reviewed by us.

3.05 The Board's Internal Audit Annual Report was presented to the Board on 2 June 2010. It concluded that reasonable assurance could be placed on the adequacy and effectiveness of the Board's internal control system.

## Statement of Internal Financial Control

3.06 The financial statements, in accordance with the SORP include a statement on the system of internal financial control which has been signed by the Committee's Treasurer. This statement sets out the financial control arrangements in place for the year and future reviews planned. This statement is in line with the requirements set out in the SORP.

## 4. Future Financial Position

- 4.01 As set out in statute the Board is unable to retain any financial surpluses achieved in year. Therefore, all money needs to be spent by the Board during the year or returned to the two Local Authorities – South Lanarkshire Council and North Lanarkshire Council. As a result the Board is unable to retain any resources for contingency to meet unplanned expenditure or to fund specific longer term projects. The depletion of the historic surplus now means the Board has very little flexibility should it spend over budget.
- 4.02 A potential reduction on the income received from the two local authorities would result in additional financial pressures for the Board and the need to identify and deliver additional efficiency savings. As the two Councils are likely to receive less funding from the Scottish Government in future years and will face increased pressure to identify significant efficiency savings, financial pressures and the need to realise efficiency savings are likely to be passed on to the Board. The Constituent Authorities have increased precepts by 3% in recent years, an increase that may not continue in future years.



# Appendix 1 – Financial Performance 2009/10

<b>Income and Expenditure Account</b>	<b>2009/10 £000's</b>	<b>2008/09 £000's</b>
Employee costs	2,499	2,369
Property Costs	335	339
Supplies and Services	120	186
Administration Costs	648	724
Payments to Other Bodies	13	8
Financing Charges	20	16
<b>Total Expenditure</b>	<b>3,635</b>	<b>3,642</b>
<b>Income</b>	<b>(3,684)</b>	<b>(3,733)</b>
Net Cost/(Return) of Services	(49)	(91)
Return on Pension Assets	(508)	(661)
Interest Cost on Pensions	565	603
<b>Net Operating Expenditure (Deficit/(Surplus))</b>	<b>8</b>	<b>(149)</b>
 <b>Statement on the Total Movement on the General Fund Balance</b>		
Net Additional Amount Required by Statutory and Non-Statutory Practices to be Debited or (Credited) to the General Fund for Year	(8)	149
<b>General Fund Balance Carried Forward</b>	<b>0</b>	<b>0</b>

Total expenditure of £3.635 million for 2009/10 was in accordance with the budget agreed at the start of the year.

Employee costs were higher than in prior year due to a pay award of 2.5% and the implementation of FRS 17. Administration costs were higher in the prior year due to an external publicity campaign to encourage home owners to challenge their property valuation band. This resulted in a significant increase in the number of appeals during the prior year, not experienced to the same degree in 2009/10.

Income received of £3.684 million was primarily precepts received from North Lanarkshire Council and South Lanarkshire Council. The precepts accounted for 3.711m, with the difference relating to fees and charges and a transfer from the balance sheet.

In accordance with the statutory powers of Valuation Boards, no balance is carried forward into 2010/11.

### **Freedom of Information Act (Scotland) 2002**

In the event that, pursuant to a request which the institution has received under the Freedom of Information Act (Scotland) 2002 or the Environmental Information Regulations 2004 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), South Lanarkshire Council is required to disclose any information contained in this report, it will notify PwC promptly and will consult with PwC prior to disclosing such report. South Lanarkshire Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such report. If, following consultation with PwC, South Lanarkshire Council discloses any of this report or any part thereof; it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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