

Grampian Valuation Joint Board

Annual Report to Officers and the
Controller of Audit for the year
ended 31 March 2016

August 2016



Table of Contents

1. Introduction2

2. Audit Process and Financial Position3

3. Governance and Internal Financial Control5

4. ISA 260 Communications to Those Charged with Governance6

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 in accordance with our appointment by the Accounts Commission. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose.

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 2015/16 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 International Standards of Auditing (ISAs) and the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011. The Code of Audit Practice 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.
- 1.03 Our audit for 2015/16 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 Officers discharges our requirements under ISA 260, as well as our reporting requirements under the Code.

Acknowledgment

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

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 2015/16 (“the 2015/16 Code”) of the state of the affairs of the Joint Board as at 31 March 2016 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 2015/16 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 2016, 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 2015/16 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 31 May 2016 and provided to Audit Scotland and the Controller of Audit by 30 June 2016. 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 staff 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 some 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 Performance for the year ended 31 March 2016

2.07 The Joint Board’s financial performance can be summarised as follows:

	Year ended 31 March 2016 (£'000)	Year ended 31 March 2015 (£'000)
Expenditure	4,381	4,347
(Income)	(338)	(701)
Net cost of services	4,043	4,347
Net Financing and investment expenditure	142	164
Requisitions and Non-Specific Grant (income)	(3,789)	(3,528)
Deficit on the provision of services	396	282
Re-measurement of net defined pension liability	(1,128)	436
Total comprehensive (income) and expenditure	(732)	718

2.08 Expenditure for the year was comprised of employee costs, property costs, supplies and services and administration costs. A significant element of the Joint Board’s expenditure can be attributed to employee costs, which totalled £3.003million in 2015/16 (2014/15: £2.905million).

2.09 £3.789million of requisitions was received in the year from Moray Council, Aberdeen City Council and Aberdeenshire Council, as the Joint Board’s constituent authorities.

Financial Position for the year ended 31 March 2016

2.10 The general fund balance as at 31 March 2016 is £0.207m, a decrease of £0.033m from the prior year.

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 ('the Council'), in particular general ledger, payroll, accounts payable and accounts receivable. Based on audit work performed we noted no exceptions in respect of the Council's financial systems, which are also applicable to the Joint Board.
- 3.04 We reviewed the reasonableness of the assumptions underlying the estimated net pension liability in the balance sheet in accordance with ISA (UK&I) 540 'Audit of accounting estimates' and consulted with our pension specialists. Overall we are comfortable with the net effect of the assumptions adopted.

Annual Governance Statement

- 3.05 Regulation 5 of the Local Authority Accounts (Scotland) Regulations 2014 requires local authorities to publish an annual governance statement as part of the annual accounts. The regulations require the annual governance statement to be prepared in accordance with proper practices in relation to internal control, which are those set out in Delivering good governance in local government: framework published by CIPFA and SOLACE. The Annual Governance Statement within the Joint Board's 2015/16 annual accounts is in line with the requirements.

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 Engagement contract with Audit Scotland at the start of our 5 year appointment.
Independence	✓ We confirm 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 and the Code of Audit Practice.
Materiality	✓ Our base calculation for materiality is based on 2% of total expenditure in year, resulting in an overall materiality of £90,520. 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 2016.
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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