

Financial Review

- The Board achieved a surplus of £279,000 for the year (previous year –£208,000).

Financial Statements

- We issued an unqualified audit opinion on the financial statements
- The Balance Sheet shows a net liability position, because of the pensions provisions.

Corporate Governance

- The Board have approved guidelines for governance.
- A risk register has been introduced
- The audit remit of the General Purposes and Audit Sub-Committee needs to be defined.

Acknowledgement

This is the final year of our appointment as external auditors to the Board.

We take this opportunity to thank the staff of the Board for assisting and co-operating with us during the course of our work.

The purpose of the financial review is to consider the general financial standing of The Grampian Valuation Joint Board by looking back at financial performance in 2005/06 and to look ahead to the future financial position. Our review is aimed at helping Board members understand the financial position of the Valuation Board at a particular point in time. It should not be regarded as definitive or comprehensive and the Board should not seek to rely on this summary in isolation.

Contents:

- **Financial Performance 2005/06**
- **Reserves**
- **Financial Plan 2006/07**

2.1 Financial Performance 2005/06

The Revenue Account for the year ended 31 March 2006 shows a surplus for the year of £279,000. (2005 - £208,000)

This is to be returned to the constituent authorities, and is included in Creditors of £535,000 in the Balance Sheet.

When comparing the performance with the previous year we note that there was an increase in Net Operating expenditure of £21,000 (representing approximately 0.6%).

2.2 Reserves

The Capital Fund set up from the sale of 'user rights' in respect of Woodhill House, Aberdeen remains invested in the Moray Council Loans Fund accumulating interest.

This and the Fixed Asset Restatement Reserve has been increased, by £94,000 arising from the revaluation of the Banff portacabin plus interest on the Capital Fund invested in the Moray Council Loans Fund.

Again this related to the board's pool rights in a property occupied at the time of Local Government re-organisation in 1996.

2.3 Financial Plan 2006/07

The Board's Financial Plan for 2006/07 was presented to the Board on 27 January 2006.

The 2006/07 budget resulted in an increase from the previous year of £98k (Increase of 2.8%) to £3.598m.

Indicative budgets for 2007/08 and 2008/09 show planned expenditure of £3.685m and £3.790m respectively (increases of 2.4% and 2.8%).

The respective responsibilities of the Board, and Tenon Audit Limited are summarised in Appendix 2. The purpose of this section of our report is to highlight and explain our formal opinion on the financial statements, and to comment on the main issues arising from our audit of the financial statements.

Contents:

- **Audit Opinion**
- **Timetable and Procedures**
- **FRS17**

3.1 Audit Opinion

We have issued an unqualified audit opinion on the accounts of The Grampian Valuation Joint Board for the year ended 31 March 2006. A copy of our audit opinion is attached to this report.

3.2 Timetable and Procedures

The timetable for the production of the Board's annual accounts is:-

- the Board needs to submit accounts by 30 June
- we are required to conclude our audit by 30 September

In order to achieve these deadlines the accounts preparation procedures require good planning, commitment, and resources.

We discussed plans for the preparation and audit of the accounts with the Treasurer in May 2006.

We are pleased to report that the audited accounts were submitted to the Controller of Audit by the due date of 30 September. We are grateful to all of those in the Board, and in the Moray Council Finance department who helped to achieve this.

3.3 FRS 17

We have reported in previous years on the introduction of Financial Reporting Standard 17 (FRS 17). This FRS relates to Accounting for Pension Scheme Contributions and Liabilities, particularly in respect of defined benefits schemes (i.e where the employees entitlement to a pension is dependant on factors such as final salary, and length of service).

The effect on the financial statements is disclosed in note 6 to the Revenue account and note 6 to the Balance Sheet.

We have reviewed the preparation and disclosure of pensions information and are satisfied that this is in accordance with actuarial information and the disclosure requirements of the code of practice.

Corporate Governance is concerned with structures and processes for decision making, accountability, control and behaviour at the upper levels of the organisation. The respective responsibilities of The Grampian Valuation Joint Board and Tenon Audit are summarised in Appendix 2.

This section of our report comments on the main aspects of our work, and highlights particular issues which arose.

Contents:

- **Statement on Internal Control**
- **Corporate Governance in Local Government**
- **Risk Management**
- **Audit Committee**
- **Systems of Internal Control**
- **Follow-up of 2004/05 Action Plan**

4.1 Statement on Internal Control

The Board have again included in their financial statements, a statement on Internal Control.

Although we are not required to form an opinion on the adequacy and effectiveness of the Board's Internal Control arrangements, we are required to report where the statement does not comply with the requirement of ACOP or other guidance, or if it is misleading or inconsistent with other information of which we are aware. In our opinion the statement is not misleading or inconsistent with other information which we are aware of from our other audit work.

4.2 Corporate Governance in Local Government

We reported in previous years on the introduction of guidance on a 'Corporate Governance Code for Local Government'. We pointed out that, although it was unclear whether the code specifically applied to Joint Boards, the principles represented best practice.

We recommended that the Board review their existing arrangements against the guidance, and take appropriate action.

Senior Management have developed draft governance guidelines which were submitted to the Board in January 2006. These guidelines are to be formally implemented during 2006/07.

4.3 Risk Management

Although the term “Risk Management” has become common recently, the underlying principles —of identifying and assessing risks and taking action to minimise their occurrence and impact, are well established. The Board’s Standing Orders, Financial Regulations, and Internal Audit functions are all examples of policies and procedures which address potential risks. However, it is now generally recognised that this process needs to become explicitly established as part of a management culture, and requires the implementation of consistent best practice through formal policies and procedures.

In the Statement on Internal Control for the year to 31 March 2003 the assessor stated the intention to carry out a formal assessment of all financial, operational and compliance controls and of risk management arrangements.

We commented on this again in our annual report last year and made a recommendation that, the Board should facilitate the creation of the Risk Register and Schedule of Controls.

The Board now has a detailed risk register which encompasses the key risk areas and identifies the controls to manage these effectively.

4.4 Audit Committee

We reported in previous years that the role of the General Purposes and Audit Sub-Committee should be re-examined as part of the review of Corporate Governance.

The Minutes of the January 2006 meeting of the Board discussed our recommendation and agreed that this Sub-Committee would assume the role of an Audit Committee.

4.5 Systems of Internal Control

Our work has focused upon our review of the Board's Risk Management arrangements, systems of internal control, Internal Audit, consideration of the controls to prevent and detect fraud and corruption, and the audit of the final accounts.

In giving an opinion on the accounts our audit strategy requires us to ensure that the fundamental financial systems are adequately covered each year. Whenever possible, to avoid duplication of effort, we seek to rely on the work of Internal Audit.

However, our work cannot cover every financial activity and accounting procedure. We plan and perform our audit to give reasonable assurance that the financial statements are free from material misstatement and that they comply with statutory and other requirements.

In July 2004, the Board approved revised financial regulations.

We reviewed the systems in place at High Street, Elgin. There were no issues arising which required reporting to management.

4.6 Follow-up of 2004/05 Action Plan

We made three recommendations last year:-

- The Board should review the existing Corporate Governance arrangements against best practice and take appropriate action.
- The Board should facilitate the creation of the Risk Register and Schedule of Controls.
- The role and operation of the sub-committee should be re-examined as part of the review of Corporate Governance.

The Board reviewed at the January 2006 meeting an Overview of Corporate Governance Arrangements. Following receipt of comments received after the meeting this was revised and submitted to the July 2006 meeting. The Board agreed to adopt the revised document as a Code of Corporate Governance for Grampian Valuation Joint Board.

- To recognise the aspirational nature of the document and that as a working document there is a need to work towards full compliance.
- That the Code, the policies contained therein and the Risk Register be reviewed on an ongoing basis with reports submitted to the Board annually at the January meeting.

A Risk Register has now been completed and controls have been identified. As stated above this is to be reviewed annually.

Tenon audit

4.6 Follow-up of 2004/05 Action Plan (Cont'd)

The role and operation of the General Purposes and Audit Sub-Committee was discussed, with the delegation of responsibility for the review and monitoring of internal and external audit plans, reports and recommendations

Independent Auditors' Report

To the members of The Grampian Valuation Joint Board and the Accounts Commission for Scotland

We certify that we have audited the financial statements of the Grampian Valuation Joint Board for the year ended 31 March 2006 under Part VII of the Local Government (Scotland) Act 1973. These comprise [the Summary Revenue Account, the Balance Sheet, the Statement of Total Movement in Reserves, and the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to the parties to whom it is addressed in accordance with the Local Government (Scotland) Act 1973 and the Code of Audit Practice approved by the Accounts Commission and for no other purpose as set out in paragraph 43 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by Audit Scotland, dated July 2001.

Respective responsibilities of the Treasurer and auditor

The Treasurer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2006 - A Statement of Recommended Practice (the 2005 SORP) are set out in the Statement of Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission.

We report our opinion as to whether the financial statements present fairly the financial position of the joint board in accordance with applicable laws and regulations and the 2005 SORP, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973. We also report if, in our opinion, the Foreword is not consistent with the financial statements, if the joint board has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We review whether the Statement on the System of Internal Financial Control reflects the authority's compliance with the SORP. We report if, in our opinion, it does not comply with the SORP or if it is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the statement covers all risk and controls. Neither are we required to form an opinion on the effectiveness of the joint board's corporate governance procedures or its risk and control procedures.

We read the other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Statement of Accounting Policies, and the Statement of Responsibilities for these Accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Independent Auditors' Report (cont'd)

Basis of audit opinion

We conducted our audit in accordance with Part VII of the Local Government (Scotland) Act 1973 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Accounts Commission. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Treasurer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Board's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion

- the financial statements present fairly, in accordance with applicable laws and regulations and the 2005 SORP, the financial position of the Joint Board as at 31 March 2006 and its income and expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

Tenon Audit Limited
Registered Auditors
10 Ardross Street
INVERNESS
IV3 5NS

Financial Statements

It is the responsibility of The Grampian Valuation Joint Board to:-

- *Ensure the regularity of transactions by putting in place systems of internal control.*
- *Maintain proper accounting records.*
- *Prepare financial statements which present fairly the financial position of the Board and its expenditure and income in accordance with the*
- *ACOP.*

We are required to give an opinion on:-

- *Whether the accounts present fairly the financial position of the Board and its expenditure and income for the period*
- *Whether the accounts have been prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements*

In carrying out this responsibility we provide reasonable assurance that, subject to the concept of materiality, the financial statements:-

- *Are free from material misstatements.*
- *Comply with the statutory and other requirements applicable.*
- *Comply with relevant requirements for accounting presentation and disclosure.*

Corporate Governance

Corporate Governance is concerned with structures and processes for decision making, accountability, control and behaviour at the upper levels of the organisation. The three fundamental principles apply:-

- *Openness*
- *Integrity*
- *Accountability*

We have a responsibility to review and, where appropriate, report findings on the Board's corporate governance arrangements as they relate to:-

- *The Board's review of its systems of internal control including its reporting arrangements.*
- *The prevention and detection of fraud and irregularity.*
- *Standards of conduct and arrangements in relation to the prevention and detection of corruption.*
- *The financial position of the Board.*

Risk Management

The Board's Responsibility

It is the responsibility of the Board to identify and address its operational and financial risks and to develop and implement proper arrangements to manage them, including adequate and effective systems of Internal Control.

The Role of Tenon Audit Limited

In planning our audit, we consider and assess your risk management arrangements as part of our assessment of audit risk. This helps us to tailor our audit plans so that they are both appropriate to your circumstances and directed to the areas of greatest risk.

Systems of Internal Control

The Board's Responsibility

The Board has a responsibility to develop and implement systems of internal control, including risk management, and systems of financial, operational and compliance controls.

Three components of a system of risk management are:-

- *Timely identification of key business risks.*
- *Consideration of the likelihood of the risks crystallising and the significance of the consequential financial or other impact.*
- *Establishment of priorities for the allocation of resources to control risk and the setting and communicating of key objectives.*

The monitoring of controls provides assurance that managers are assessing the existence of risk and the effectiveness of controls over the risks. The internal audit arrangements form an important part of management's monitoring and review of internal control arrangements, and in ensuring that appropriate monitoring of risks and controls takes place.

The role of Tenon Audit Limited

In broad terms the external auditor is expected to assess the internal controls in the Board's main financial systems and report on any significant control weaknesses identified. This does not absolve management from its responsibility for the maintenance of an adequate internal control system.

Prevention and Detection of Fraud and Irregularities

The Board's Responsibility

It is the responsibility of the Board to establish arrangements to prevent and detect fraud and other irregularity. It therefore needs to put in place proper arrangements for:-

- Developing, promoting and monitoring compliance with standing orders and financial instructions.*
- Developing and implementing strategies to prevent and detect fraud and other irregularity.*
- Receiving and investigating allegations of breaches of proper standards of financial conduct or of fraud and irregularity.*

The Role of Tenon Audit Limited

External audit is required to review the adequacy of the measures taken by the Board, to test compliance, and to draw the attention of management to any weaknesses or omissions.

Legality

The responsibility for ensuring the legality of all activities and transactions rests with the Board.

The responsibility of the external auditor is to review the legality of the Board's transactions and to be aware of the requirements of statutory provisions.

Standards of Conduct, Integrity and Openness

Propriety is concerned with the way in which public business should be conducted. It is concerned with fairness and integrity. It must be recognised that the public view of propriety is as much about perception as reality.

The Board's Responsibility

It is the responsibility of the Board to ensure that its affairs are managed in accordance with proper standards of conduct. It needs therefore to put in place proper arrangements for:-

- Implementing and monitoring compliance with appropriate guidance on standards of conduct.*
- Expressing and promoting appropriate values and standards across the authority.*
- Developing, promoting and monitoring compliance with Codes of Conduct that advise Members, Officers or Managers of their personal responsibilities and expected standards of behaviour.*
- Developing, promoting and monitoring compliance with standing orders and financial instructions.*

The Role of Tenon Audit Limited

It is our role to consider whether the Board has put in place adequate arrangements to maintain and promote proper standards of financial conduct and to prevent and detect corruption. We discharge this duty by reviewing and where appropriate examining evidence that is relevant to these arrangements.

Financial Position

The Board's Responsibility

It is the responsibility of the Board to conduct its affairs and put in place proper arrangements to ensure that the financial position is soundly based having regard to:-

- *Financial monitoring and reporting arrangements.*
- *Compliance with statutory financial requirements and achievement of financial targets.*
- *Levels of balances and reserves.*
- *The impact of planned future policies and known or foreseeable future developments.*

The Role of Tenon Audit Limited

It is our role to consider whether the Board has established adequate arrangements. We are also required to have regard to going concern as part of the audit of the financial statements. In carrying out this responsibility we consider:-

- *Financial performance in the year.*
- *Compliance with statutory financial requirements and financial targets.*
- *Ability to meet known statutory and other financial obligations actual or contingent.*
- *Responses to known developments which may have an impact on the Board's financial position.*

Tenon audit



THE GRAMPIAN VALUATION JOINT BOARD

**YEAR ENDED 31 MARCH 2006
FINAL REPORT OF THE EXTERNAL AUDITORS TO THE
CONVENER AND MEMBERS OF THE GRAMPIAN VALUATION JOINT
BOARD
AND THE CONTROLLER OF AUDIT**

OCTOBER 2006

Tenon audit

The purpose of this report is to give a summary of our audit activity. It includes details of the more significant matters arising from the audit, sets out the respective responsibilities of management and external audit, and reports what action has been taken or is necessary by members or executive management.

Our audit of The Grampian Valuation Joint Board for the year ended 31 March 2006 has been carried out in accordance with statutory requirements and follows the practices prescribed by the Code of Audit Practice and guidance issued by the Auditing Practices Board (APB). The Code of Audit Practice sets out fully the responsibilities of the Board and its officers in relation to financial probity, control, preparation of accounts and the achievement of value for money in the provision of services. We are required under the Code to give an independent assessment of how the Board has discharged its stewardship of public funds. A summary of our responsibilities is contained in Appendix 2.

This report is part of a continuing dialogue between the Board and ourselves and is not, therefore, intended to cover every matter which came to our attention. For this reason we do not accept responsibility for any reliance that third parties may place upon it.

We have summarised the Key Issues arising from our audit in Section One. In providing the summary, it can be difficult to strike a balance between recognising good performance when achieved and highlighting scope for improvement. The items referred to represent Key Issues for management attention and should not be taken out of the context of the remainder of this report, or the detailed reports covering individual reviews. Our responsibilities are explained in our separate "Audit Responsibilities" document and are summarised in Appendix 2.

- We invite The Grampian Valuation Joint Board to receive this report and consider the recommendations we have made.*
- We would be grateful to receive the Board's response to the issues we have raised.*

Audit Responsibilities	Summary for Board Members
<p>To audit the financial statements in accordance with part VII of the Local Government (Scotland) Act 1973.</p> <p>To review and assess whether the financial statements have been prepared in accordance with all applicable statutory requirements.</p> <p>To review and assess whether proper accounting practices have been observed in the preparation of the financial statements.</p> <p>To give an opinion on whether the financial statements present fairly the financial position of the Board.</p>	<p>Our opinion is based on our:</p> <ul style="list-style-type: none"> ◆ review of certain financial systems ◆ year end audit of the Board's financial statements. ◆ assessment of Internal Audit and review of their examination of the Board's financial systems <p>An unqualified audit opinion was given on the Board's financial statements.</p> <p style="text-align: right;"><i>See details at Section 3</i></p>
<p>To consider and assess the corporate governance arrangements as they relate to:-</p> <ul style="list-style-type: none"> ◆ systems of internal control ◆ prevention and detection of fraud and irregularity ◆ standards of conduct, and prevention and detection of corruption ◆ the financial position 	<p>We have reviewed the Board's arrangements for Corporate Governance, and made recommendations we consider to be appropriate.</p> <p style="text-align: right;"><i>See details at Section 4</i></p>

Section	Page
1. Executive Summary	1
2. Financial Review	2
3. Financial Statements	5
4. Corporate Governance	8
Appendices - Audit Report	13
- Our Respective Responsibilities	15